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THESIS

The Functions and Corresponding Processes Involved With Field Level Comptrollership

by

John C. Matthews

June 1977

Thesis Advisor: J. C. Tibbitts

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This thesis addresses the functions of Comptrollership at the field level and uses the Naval Supply Center, Oakland, as a point of reference. The paper discusses the evolution and

development of these functions and basic concepts relative to the Comptroller environment. Functional and organizational views are taken to describe the processes involved with these functions and to show how they are affected by organizations outside NSC Oakland's Comptroller Department. The thesis concludes with several observations of the processes and the system within which they exist.

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THE FUNCTIONS AND CORRESPONDING PROCESSES INVOLVED WITH FIELD LEVEL COMPTROLLERSHIP

by

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Submitted in partial fulfillment of the
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TABLE OF CONTENTS

I. INTRODUCTION..... 7
A. GENERAL..... 7
B. PURPOSE AND ORGANIZATION OF THE PAPER..... 7
C. COMPTROLLERSHIP VERSUS CONTROLLERSHIP..... 8
II. THE DEVELOPMENT OF COMPTROLLERSHIP FUNCTIONS..... 10
A. GENERAL..... 10
B. THE EARLY HISTORY OF COMPTROLLERSHIP IN GOVERNMENT..... 10
C. COMPTROLLERSHIP IN THE NAVY..... 12
1. Prior to Title IV..... 12
2. Title IV..... 13
3. The Implementation of Title IV..... 18
4. Developments Since Title IV..... 22
5. Present Functions of Comptrollership..... 24
III. COMPTROLLERSHIP AT THE FIELD LEVEL..... 28
A. GENERAL..... 28
B. BASIC CONCEPTS..... 28
1. Authorization Accounting Activities..... 28
2. Reconciliation..... 30
C. THE NAVAL SUPPLY CENTER, OAKLAND (FUNCTIONAL VIEW)..... 33
1. Budget Division..... 37
a. Operating Budget..... 37
b. Allotment Budgets..... 45
c. Other Functions..... 48
d. Statistics..... 50
e. Special Projects..... 56
2. Accounting Division..... 57
a. Administration..... 57
b. Payroll..... 58

c. Labor Distribution..... 60
d. Plant Property Accounting..... 62
e. Contractor Payments..... 64
f. Stores Returns..... 68
g. Reports..... 71
3. Internal Review..... 73
D. THE NAVAL SUPPLY CENTER, OAKLAND (ORGANIZATIONAL VIEW)..... 75
1. General..... 75
2. Activities Outside the NSC Organization That Impact Upon the Comptrollership Processes..... 76
a. The Comptroller of the Navy..... 76
b. The Naval Supply Systems Command..... 77
c. The Defense Logistics Agency..... 82
d. Customer Activities..... 83
e. Other Activities..... 84
3. Factors Within the NSC That Affect the Comptrollership Processes..... 85
a. Command..... 85
b. Other Departments..... 86
c. Committees..... 87
4. Summary..... 88
IV. OBSERVATIONS AND SUMMARY..... 89
A. GENERAL..... 89
B. OBSERVATIONS..... 89
C. SUMMARY..... 92
LIST OF REFERENCES..... 94
INITIAL DISTRIBUTION LIST..... 97
LIST OF FIGURES..... 96

I. INTRODUCTION

A. GENERAL

The past three decades have marked an era of rapid change for the United States Navy. Technological advances have provided significantly greater capabilities to our defense systems but they have also brought new problems; problems which have been compounded by the rate of technological change and by the prevailing economic conditions of diminishing resources. In response to these problems, a new, or at least redefined field of Management Sciences evolved which brought changes to the organizational structure of the Navy. One of the most significant changes was the recognition and development of the supportive concept of Comptrollership. Management began to adopt a broader view of budgeting and accounting and to involve itself in the effective utilization of resources available and their overall contribution to the accomplishment of organizational objectives. The functions of Comptrollership expanded from a mere recording and reporting of financial data to analysis and interpretation of that data. Yet, for all that has been written about Comptrollership functions, coming to grips with the processes involved in the execution of those functions is a task few people bother to undertake.

B. PURPOSE AND ORGANIZATION OF THE PAPER

Selected courses within the Financial Management curriculum at the Naval Postgraduate School provide an excellent foundation for the broad concepts of Comptrollership. Unless this introductory work is pursued, however, the Financial Management graduates' level of understanding as to what is involved in the functional processes and how they interrelate with other management activities is likely to be very shallow. The purpose of this paper, therefore, is to develop an understanding of how the designated functions of Comptrollership are implemented at a field level activity. The Comptroller Department in the Naval Supply Center, Oakland was used as a point of reference for this thesis and the assistance rendered by the personnel within that department is greatly appreciated.

Chapter 2 of this paper includes a discussion of the evolution of Comptrollership functions in order that today's functions might be better understood from the context through which they have been shaped. Chapter 3 then discusses a few concepts which are prevalent in the Comptroller environment, introduces the organization of the Naval Supply Center, Oakland and then procedes to discuss each of the functional activities of the Comptroller Department. Influences, both from within the Naval Supply Center and from higher authority are addressed with respect to their impact upon the execution of functional activities and finally, the paper is summarized in chapter 4 by the presentation of several conclusions.

C. COMPTROLLERSHIP VERSUS CONTROLLERSHIP

Before proceding, it is considered necessary to briefly discuss the term 'Comptrollership'. When first introduced to the federal environment through Title IV of the National

Security Act Amendments in 1949, the spelling used was 'Ccmptroller'. In recent years, a number of people have felt the need to challenge this spelling and they offered the alternative 'Controller'. Supporters of the spelling 'Controller' have found that this word is derived from the Latin 'Contre-role' or one who checks against ancther. These functions were performed by scribes who, during the sixteenth century, apparently reasoned that their title 'Ccntroller' was incorrect and that it was really derived from the Middle French verb 'compte' or to count. Whichever spelling is correct, the Federal Government seems to have perpetuated the spelling 'Comptroller' through Title IV and for consistency reasons, that spelling will be used throughout the remainder of this paper. As an aside and in recognition of the different functions performed by financial managers in the commercial environment, perhaps the two spellings could serve a useful purpose in differentiating the functions performed between the public and private sectors.

II. THE DEVELOPMENT OF COMPTROLLERSHIP FUNCTIONS

A. GENERAL

The concept of comptrollership in the American government system has changed significantly since its inception in 1778. What began as a simple record keeping task of accounting for funds expended has evolved into a complex specialization that provides a multi-level service to management. In the following paragraphs, this evolution of functions will be discussed in order that the reader might better understand how the services of tcdays' ccmptroller crganizations have been shaped.

B. THE EARLY HISTORY OF COMPTROLLERSHIP IN GOVERNMENT

The term "ccmptroller" first appeared in American government in 1778. At this time, the Continental Congress replaced the Treasury Office of Accounts with new offices designated as Comptroller, Auditor, Treasurer, and six Commissioners of Accounts. When this change was enacted in 1779, the position of Comptroller was dropped, only to be reinstated under a new statute passed in 1781. The positions were still annually designated by Congress, and together they formed what was later to become in 1789, the Treasury Department. The Treasury Department was officially established on September 2, 1789 and provided for five officials tc serve at the pleasure of the President. "Under

this statute the Secretary of the Treasury became the 'general manager' of finance for the government, without actual custody of funds and with emphasis upon ways and means. The Treasurer became the legal custodian of funds in the Treasury. The Register was intended to be the bookkeeper of the Treasury and was to preserve the files of settled accounts and other records. The Auditor was to receive all incoming accounts and, after examination of each account, transmit it with the vouchers and certificate to the Comptroller for his decision thereon. Finally, the Comptroller was to exercise a review over the Auditor and to serve as a check upon the Secretary. In his book Comptrollership in Modern Management, J. H. Jackson describes the duties of the Comptroller as:

> to superintend the adjustment and preservation of the public accounts; to examine all accounts settled by the Auditor, and certify the balances arising thereon to the Register; to countersign all warrants drawn by the Secretary of the Treasury, which shall be warranted by law; to report to the Secretary the official forms of all papers to be issued in the different offices for collecting the public revenue, and the manner and form of keeping and stating the accounts of the several persons employed therein. He shall ....direct prosecutions ....for debts that are, or shall be due the United States.

The Secretary of the Treasury could not procure the issue of money without the Comptroller's countersignature upon the warrant, or could any accounts for or against the government be finally settled except by him. It was also the Comptroller who had the responsibility of recommending for the Secretary's approval the form and manner of keeping the Treasury accounts."

In 1792, the Comptroller was given the additional responsibility of superintending the collection of duties on imports and tonnage and this remained under his cognizance until the office of Commissioner of Customs was established in 1849. Other changes continued to add and delete

functions for each official until it became necessary, in 1894, to reorganize the Treasury and Accounting offices. Under the Dockery Act, the Comptroller's duties were redefined, making the incumbent an officer with centralized responsibility for the handling and settlement of all public accounts. Bookkeeping functions and accounting forms became more centralized and the separate procedures that were prevalent under the previous five Treasury officials gradually evolved into a more consolidated system. Modern accounting methods were recognized and during the administration of President Theodore Roosevelt, double entry bookkeeping was introduced.

In 1921, the Budget and Accounting Act replaced the offices of Comptrollers and Auditors throughout the government with the General Accounting Office and a Comptroller General. The Comptroller General was given all of the functions previously performed and was appointed for a term of 15 years. He was not to be removed except by congressional action 'for cause'. Under this act, the General Accounting Office was under the sole control and direction of the Comptroller General and it was to be independent of the other departments. The General Accounting Office later became a part of the legislative branch of the government under the Reorganization Act of 1945.

C. COMPTROLLERSHIP IN THE NAVY

1. Prior to Title IV

Although the Navy had not recognized the function of Comptrollership prior to the mid 1940's, it was aware of the

importance of sound financial management. The Navy Stock Fund concept of financing common use items on an issue rather than on an initial procurement basis had been in use since 1893. Budget preparation and execution had been an established function in the Navy under the office of Budgets and Reports since 1941. Property accounting on both an item and dollar basis had been in use for many years and Industrial or Commercial type accounting, to the extent permitted by law, was practiced at major activities. In 1944, a Fiscal Director was established to formulate, supervise and coordinate all policies and procedures affecting the finance, budgeting, accounting and auditing activities of the Navy Department. Each of these examples were indicative of a progressive approach to financial management for the times but to a large extent, these improvements focused heavily upon where the dollars were spent and not on how well they were spent.

2. Title IV

The real spark which kindled the managerial revolution in the Navy came from the first Hoover Commission's report and various other special studies made by the Navy Department and the Department of Defense. In May, 1948, Mr. E. M. Voorhees, chairman, Finance Committee, United States Steel Corporation, was appointed by Secretary Forrestal to make an overall study of financial management in the newly organized Department of Defense. The recommendations contained in this study became the basis for changes which were later brought about under Title IV. Title IV of the National Security Act Amendments (1949) established the Assistant Secretary of Defense (Comptroller) and a Comptroller in each of the three military services. According to Title IV, the service comptrollers were responsible for "budgeting, accounting, progress and

statistical reporting, internal audit and the administrative organizational structure and the managerial procedures relating thereto." It also provided for various improvements in comptroller functions such as performance budgeting and working capital funds. Since many of the functions performed by comptroller organizations today stem from the Title IV amendments, a brief discussion of each section is provided below:

* Section 401. This established the position of the Assistant Secretary of Defense (Comptroller) and held the incumbent responsible for the preparation of an integrated military budget, the establishment of efficient and economic policies and procedures relating to the expenditure and collection of funds administered by the Department of Defense and the develcpment of uniform terminologies and classifications.
* Section 402. This section required each of the departmental ccmptrollers to organize their operations in a manner which was consistent with those of the office of the Comptroller in the DOD. It also permitted the ASD to appoint either a civilian or a military (line or staff) person as the departmental comptroller. In cases where the departmental comptroller is a military officer, the deputy comptrcller is to be a civilian.
* Section 403. Under the budget and appropriation structure existing at that time, almost every project and/or program undertaken by the Federal Government required, for its execution, financing from numerous appropriations. Usually, such appropriations were managed or administered by scattered and sometimes, unrelated organizational divisions. Such administration inevitably hindered the achievement of econcmy and efficiency. Section 403 was intended to facilitate administration by financing each

identifiable budget program from a single source, encourage the fixing of management responsibility, simplify reporting and permit departmental management and the Congress to determine costs and to evaluate progress and accomplishment. The performance budget was to focus attention upon the general character and relative importance of work to be done and services to be rendered rather than upon things to be acquired, such as personal services, supplies, and equipment. This section intended that there be a logical and uniform grouping of projects or budget programs by the primary functions of the military departments paralleling the organization and management structure.

* Section 404. This section required the Secretary of Defense to approve scheduled rates of obligation of funds appropriated to the departments before any obligation took place. This was not intended to interfere with internal operations but rather to prevent overdrafts or deficiencies.

* Section 405. This section authorized the Secretary of Defense to require the establishment of working capital funds in the departments and agencies of the DOD to finance inventories and to provide working capital for industrial and commercial type activities. It provided legal authority for the operation of funds and provided that the working-capital funds be charged in appropriate circumstances for the cost of stores, supplies, materials and equipment which were procured or which were manufactured, repaired, issued or consumed. It also provided that the working-capital funds were to be charged for services rendered or for work performed. A provision was made to reimburse the funds from available appropriations for the cost of material and/or services provided by the funds. The

amounts which were to be charged or credited to the funds were to include administrative expenses and the operations of the funds were to be reported annually to the President and to the Congress. If the amount of working capital deemed by the Secretary to be required was not fully provided by operations, Congress could appropriate further sums as necessary. Under the procedures existing at the time, little control existed over the use of material on hand procured with prior year resources. One of the purposes of this section was to restrict the requesting agency from incurring any greater cost for such items than the amount of appropriated funds available for such purposes. Additionally, items returned to inventory were to be credited to the proper appropriation. This was intended to discourage the stockpiling of material and supplies and thereby afford a greater availability to other potential users. Finally, this section formalized the use of working capital funds in industrial type activities. In effect, working capital would be available to those who ran or administered industrial or commercial type activities performing common services. It made these officials responsible for the money they spent, the costing of each job and the most economical method of accomplishing the work. All costs of the operation would be paid by the working-capital fund, using commercial practices for the distribution of direct and indirect costs to the jobs in progress. The agency placing a work order with such an activity would establish commitments and obligations against resources appropriated to it. The industrial plant would enter the order and distribute the work in the plant by its own job orders. When the work is completed and the cost of the job ascertained, the plant would invoice the cost

to the ordering agency charging the proper appropriation and budget program.

* Section 406. This section created management funds. These funds, as distinguished from working-capital funds, are not revolving or continuing funds. They constitute an allotment of money to a common pool for a special purpose. They provide a management tool for economical and efficient administration of specific joint operations, or operations requiring the support of two or more appropriations where the distribution of costs cannot be easily determined. Management funds are authorized to incur expenditures for material (other than for stock) and for services under regulations which the Secretary of Defense may prescribe. All expenditures by a fund, however, must be properly chargeable to available appropriated funds of the department within which the fund is established or in special circumstances, to appropriated funds of another department or agency. Expenditures by the fund must be reimbursed by proper appropriations; and advances and reimbursements from appropriations on the basis of estimated costs of the projects are authorized. Amounts advanced to management funds are available for obligation only during the fiscal year in which they were advanced and final adjustments must be made for all obligations created during that fiscal year.

* Section 407. This was intended to facilitate accounting and to provide for the transfer of funds from one military department to another when a function is reassigned under authority of law. For example, if the purchase function for a given class of material is assigned to one department during a fiscal year, the funds appropriated to the one or two departments no longer performing that function, the funds may be transferred to the department newly

charged with that function. This section does not authorize the transfer of any functions; it simply provides administrative mechanisms which can be utilized when and if functions are transferred.

* Section 408. This section permits the creation of reimbursements and sums paid by a department for supplies or services rendered to authorized replacing accounts. The effect of this section was to permit direct charges to be made against the appropriations of the department receiving benefit from the supplies or services. Furthermore, it eliminated the necessity of establishing working-fund advance accounts between the military departments.
* Section 409. This section makes the disbursing and accounting services of one military department available to the other departments in order to realize savings.
* Section 410. This simply expanded the record keeping function already performed by the Navy and specified the nature of the reports to be submitted by each department.
* Section 411. This section repealed all laws, orders and regulations that were inconsistent with the provisions of Title IV.

Throughout the wording of Title IV, the intent of Congress appears to have included three basic concepts; Comptrollership was to include budgetary and fiscal matters, and closely related functions, budgeting and fiscal procedures and organization were to be made uniform throughout the services, and economy and efficiency were to be the goals of Comptrollers and their organizations.

3. The Implementation of Title IV

In shaping the criteria for service comptroller organizations, the Secretary of Defense invited the participation of the service Secretaries for the implementation of Title IV. To assist the Secretaries, a draft of the proposed criteria was sent from the Comptroller of the DOD to the Secretaries of the Army, Navy and the Air Force on November 17, 1949. In his response on December 19, 1949, the Secretary of the Navy took issue with the degree of management control involved in the Comptrollership function and said:

> The fact that technical authority, technical direction and technical control over the functions enumerated in Section 401 (b) of the Act have been divested of the bureaus and offices and transferred to the departmental Comptroller seems readily apparent. Technical authority, technical direction and technical control, however, are clearly distinguishable, and must be distinguished, from command and management authority and control over operations. It is my judgement, after thorough consideration, that there is nothing in Sections 401 and 402 of the Act which require a redistribution or reorganization of the command and management responsibility among the bureaus and offices of the Department of the Navy. On the contrary, it seems quite clear that the Congress in using in Section 402 (a) the words "...organized and conducted in a manner consistent with..." specifically recognized the clear distinction between technical and command or management authority.
>
> In consonance with the foregoing concept that no command or management authority is vested in either the Comptroller of the Department of Defense or in a Departmental Comptroller, it becomes quite clear that these officials must be established on a staff rather than on an operating level.

Thus, even before the establishment of Comptrollership in the Navy, the Secretary of the Navy had gone on record as defining, in effect, that Comptrollership was a staff function which serves line components in the area of financial management.

On September 27, 1950, the Secretary of Defense memorandum entitled "Comptroller Functions and Organization"

was distributed to the three service Secretaries. This memorandum emphasized the fact that Comptrollership must be a staff function and it clarified the nature and scope of the budgetary and fiscal functions originally described in Title IV. Specific points highlighted by this memorandum were:

* budget administration was to include the areas of allotments, allocations and apportionments;
* fiscal, cost, operating and capital property accounting was expanded to include accounting for all property (capital and operating) in terms of both dollars and physical quantities;
* progress and statistical reporting was to include financial reporting and the analysis and interpretation of the reports;
* internal audit was expanded to include the audit of procurement contracts;
* receiving and disbursing of cash was recognized as a separate function;
* the administration of credits (i.e., advances) was recognized as a separate function.

The Secretary of the Navy formally implemented Title IV in June, 1950 by establishing the office of the Comptroller and designating the Assistant Secretary of the Navy for Air as the Comptroller. Thus, for the first time, the Navy had a single office within the organization where the various fiscal functions being performed at different organizational locations throughout the department could be consolidated and controlled and the responsibility for the performance of these functions could be fixed upon one individual. Secretary of the Navy Anderson announced his concepts regarding the basic function and importance of the Comptroller to the Committee of Armed Services in November, 1953 saying:

> The primary importance of the Comptroller at all organizational levels is that he provides to his command authority coordinated and integrated staff services in the financial area which contribute to the efficient, economical and effective management of programs. The effective performance of the Comptroller's function relieves top management of much of the burden of detailed fact collection, coordination and analysis. It permits management to spend more time in the areas of policy formulation, decision and program direction.

At the same time, Secretary Anderson published a detailed statement of Navy policy on Comptrollership via SecNav Instruction 5400.4 dated 18 November, 1953. This instruction, which was later to be incorporated into the NAVCOMPT Manual Vol I, included statements of Comptrollership functions, duties and organizational relationships and emphasized that the Comptroller was to perform a central, coordinated staff service to command components. Specific policy points relevant to the development of Comptrollership functions were:

* Navy management under Comptrollership would include an emphasis on analysis and interpretation (rather than a mere recording and recital of facts), the utilization of data from all levels to improve the process of budget formulation and assistance to the Commanding Officer by providing him with coordinated and integrated data;
* Comptrollership was added as a basic function for the operation of an integrated system for financial management;
* the structure of Comptroller organizations should be modified to fit local requirements. However, to maximize the value of his staff services, the Comptroller should report directly to the Commander of the activity;
* the effectiveness of performance by a Comptroller would be measured by the assistance given to his

Commanding Officer for the timely, efficient and economical execution of his mission;

* the proper performance of Comptrollership would provide the Commanding Officer with more time for the areas of program direction, decision and policy formulation;
* the Comptroller must be responsive to management needs and anticipate the requirements of the future;
* Comptroller organizations would be established throughout the Navy including major field activities.

4. Developments Since Title IV

Following the definition of Comptrollership functions in the early 1950's, a number of refinements continued to impact upon the financial management environment of the Navy. The first of these was the result of a study group on the Organization of the Department of the Navy which was chaired by the then Undersecretary of the Navy, Thomas S. Gates Jr.. The report of this committee dated 16 April, 1954 recommended a full time Assistant Secretary for Financial Management. Such a position was established by Public Law 562 of the 83rd Congress. On October 23, 1954, the Secretary of the Navy designated the Assistant Secretary for Financial Management as the Comptroller of the Navy. With the appointment of the honorable William B. Franke on 4 October, 1954 and his subsequent designation on 23 October as Comptroller of the Navy, it is clear that one of the primary goals of the time was to conduct the affairs of defense on a business-like basis. Now, the functions were not only centralized in one office but the Comptrollership functions of the Assistant Secretary became his primary responsibility.

In 1953, the Congress established the second Hoover

Commission. This Commission's Budget and Accounting Report endorsed the financial management objectives which had been identified and defined in recent years and the recommendations which followed from this report were consistent with the current improvement efforts. The 84th Congress demonstrated its interest in these recommendations by introducing identical bills in each house which covered those recommendations of the commission that required legislation for effective implementation.

As a result of these legislative considerations, two public laws were enacted. The first of these - Public Law 84-798 was signed by the President on July 25, 1956. As origionally introduced this law provided for the merger of the unliquidated obligations of appropriations made for the same purpose, and agency payment of claims. As enacted, Public Law 84-798 continued the requirement of separate appropriation accounts for two fiscal years after the appropriation had lapsed but it also provided for an improvement to the claim procedures. It enabled the Treasury Department to establish general purpose successor accounts which could be used to settle claims against lapsed appropriations. This alone, relieved a great deal of record keeping throughout the various agencies.

The second bill enacted by the 84th Congress, Public Law 84-863, was signed by the president on August 1, 1956. This was the major legislative proposal on the budget and accounting recommendations of the second Hoover Commission. As introduced, it covered nine of the recommendations made, including provisions for gradual conversion to a procedure under which the Congress would appropriate funds in terms of 'accrued expenditures' (material or services actually consumed), the use of costs in accounting and budgeting in the executive agencies, the improvement of agency allotment practices and the development of consistency in financial

and organization classifications. As enacted, Public Law 84-863 covers the following key points:

* accounting on an accrual and cost basis;
* budgeting on a cost basis;
* the use of consistent classifications;
* the justification of the allotment structure.

The really significant feature to this bill was its conversion of Federal agencies' accounting procedures to an accrual basis of accounting. Accrual accounting incorporates financial controls which are consistent with management responsibilities and it provides better visibility of the true costs incurred. The implementation of Public Law 84-863 netted the following changes for the Navy:

* installation of a complete system of accounting for reimbursements;
* installation of a double entry accounting system at the allotment level;
* placement of allotment funding at the sub-head level;
* control of undistributed disbursements;
* establishment of the concept of complete funding and reporting directly between the grantor and the allotee.

5. Present Functions of Comptrollership

Over the years, the functions of Comptrollership have been shaped and molded in a continuing effort to provide management with a better financial service. These functions, as they exist today for all Comptroller organizations, are outlined in the NAVCOMPT Manual, Vol I, Chapter 2, article 100 and are repeated below:

* Provide an integrated system for financial management. An integrated system for financial management

is established, coordinated and maintained by the Comptroller or cognizant personnel in order to provide the Commanding Officer with the factual data essential for effective management control of operations. The Comptroller is responsible for:

- technical guidance and direction of financial matters throughout the organization as a staff service to the Commanding Officer;
- maintenance of a classification of the programs administered and their objectives and a current inventory of budget plans and program schedules;
- budget formulation, review and execution; ng statistics data;
- review of program performance against the financial plan;
- promotion of economy and efficiency in the performance of assigned programs.

* Budgeting. Personnel engaged in budgeting provide technical guidance and instructions for preparation of the budget. They review requirements and justifications for the various programs and prepare estimates of the cost thereof and compile the annual budget and other budgetary data as required by authorities in the review cycle. They recommend distribution of available funds and civilian personnel to programs within the command and revisions thereof; issue funding documents reflecting approved distributions of available resources; analyze variances from the budget plan and recommend remedial action where appropriate; determine areas where desirable reprogramming may be effected; initiate action to adjust financial plans to available funds and when required, submit requests and justifications for additional funds.
* Accounting and Disbursing. At the field level, accounting personnel are responsible for:

- maintenance of required accounting records of obligations and expenditures against allotments and project orders;
- preparation of accounting reports both for local management and for submission to higher authority;
- maintenance of cost accounting operations, plant property records and financial records of inventory transactions of all classes of property and submission of all property returns;
- supervision and performance of timekeeping operations;
- maintenance of civilian pay, leave and retirement records and preparation of civilian payrolls.

In accordance with the applicable policies, regulations and procedures, personnel engaged in disbursing perform:

- functions of payment of civilian payrolls, receiving and depositing collections and, when authorized, the payment of military payrolls, public vouchers and the issuance of savings bonds;
- maintenance of the required disbursing records and the preparation and submission of disbursing reports and returns.

* Program Analysis. Personnel engaged in program analysis measure and analyze performance, program status, and trends against the approved programs and budget plans and report the results of operations to responsible levels of command. The accounting system provides for the collection of data that will permit this kind of appraisal and detection of variances from the operating plan so that management can take the appropriate action. This function of Comptrollership is considered an extremely important

staff service to the Commanding Officer who has the responsibility for decisions. Analyses and comparisons should be timely and presented with recommendations for action or decision so that funds may be used effectively and economically.

* Progress Reports and Statistics. Personnel engaged in the progress reports and statistics function develop guides and criteria for the collection and coordination of statistical data and prepare special statistics as required by responsible levels of command. The organizational component exercising this function serves as coordinator and official clearance center for the release of statistical data. Each organizational component will have distinctive requirements for periodic progress reports and for special statistical data on the programs it administers. Statistical reports should be rendered in a timely manner and in a format that will insure optimum use by management.

* Internal Review. Internal Review (financial review, analysis and trouble shooting) is a responsibility of command and will be performed at all installations. It will not impinge, however, upon the functions of internal audit which are the responsibility of the Comptroller of the Navy.

III. COMPTROLLERSHIP AT THE FIELD LEVEL

A. GENERAL

The functions of today's comptroller organizations at the field level are clear. They must establish and maintain an integrated financial management system, perform budget and financial administration and provide management, both locally and at higher levels, with program, budget and financial data in a precise and understandable form. The purpose of this chapter is to examine how the field Comptroller organization budgets and controls the financial resources allocated to it. The Naval Supply Center, Oakland is used as a point of reference. Before this is done, however, a few of the underlying concepts that are prevalent in the comptroller environment will be discussed.

B. BASIC CONCEPTS

1. Authorization Accounting Activities

One concept is that of the Authorization Accounting Activity (AAA). These are organizations that are designed to perform the accounting services for other activities not equipped to do so. By centralizing this function, the Navy not only achieves a more efficient use of its resources but it enables a more rapid collection of financial data and

relieves the operational unit from excessive involvement in functions which, otherwise, would have to be done locally. At the present time there are over 200 activities designated as AAA's and they include Supply Centers, Air Stations and Regional Finance Centers. Designation of activities as AAA's is done by NAVCOMPT and the responsibilities assigned can include disbursing in addition to accounting (i.e., the Navy Regional Finance Centers). When an activity is designated as an AAA, it is officially responsible for providing:

* Appropriation Accounting
* Inventory Accounting
* Plant Property Accounting
* Cost Accounting
* Payroll Accounting

Other functions can be included depending upon the size and processing capabilities of the AAA. Typically, however, the services provided by an AAA are static in nature from one period to the next. That is to say that the data to be collected and the formats in which that data will be arrayed are, to a large extent, prescribed by NAVCOMPT. Beyond this, customers can request services of their respective AAA (i.e., further breakdown of financial data into subsidiary accounts for additional local control) providing they meet the criteria for reasonableness as outlined in the NAVCOMPT Manual Volume 3. An inherent responsibility of the AAA is to provide guidance to customer activities in order to assure more timely and effective management of resources. Although the extent of this guidance varies from one AAA to another, NAVSO P3006 lists the following information as the minimum to be provided:

* Identification/explanation of reports provided, their frequency and to whom they are provided.
* The variations of these reports that can be provided if desired.

* The schedules for transmitting the information to the AAA and the monthly cutoff dates.
* The procedures for correcting erroneous records and reports.

Exactly how AAA's become involved with the comptroller organization at the field level will be discussed later in this chapter.

2. Reconciliation

Another concept is that of reconciliation. Reconciliation is the process of matching every obligation in the system with its corresponding expenditure. By doing this, constant control over the funds within and between appropriations can be maintained. In another sense, reconciliation also involves matching expenditures to expenditures.

For clarity, brief definitions of commitments, obligations, accounts payable and expenditures are provided below:

* Commitment: this is the first step in the process of spending available funds. It is a reservation of funds which authorize the recipient of the request for material or services to create obligations.
* Obligation: a commitment becomes an obligation when the order for material or services is placed. The obligation, then, legally reserves a specified amount of an appropriation for expenditure.
* Accounts Payable: this represents obligations for which the material or services have been received but not yet matched with an expenditure.
* Expenditure: this is a charge against available funds and represents an actual payment of funds.

The process begins with individual activities submitting requests for material or services to any activity capable of providing the material or services (Naval Supply Center, Naval Shipyard, Ship Repair Facility or Public Works Center). A stock point will be used for this example. Copies of these requests are sent from the activities to their respective AAA and commitments are established on the records of the AAA. Each day, the stock point forwards listings of bills (NC2074) to the Regional Finance Center for material that they have supplied to various activities. The Regional Finance Center then applies these bills to a mechanized program which identifies the responsible AAA for each activity. These bills (expenditures) are then "summarized" by AAA and forwarded daily by the NRFC to the AAA via NC632 cards. The AAA processes these "summaries" as received and at the end of each month, performs a mechanized reconciliation of obligations/accounts payable and expenditures on file at that time. The object, of course, is to match everything completely which would mean that every activity has "paid" and been subsequently "charged" the correct amount of funds for every item or service received. Problems arise, however, with the documents failing to match because the money value obligated does not agree with the money value billed or because the document numbers on either the obligation or the expenditure or both have been processed incorrectly or simply because one or the other document fails to be submitted or becomes lost in the system. The documents failing to match during reconciliation result in unmatched expenditures (material which has been supplied but not paid for or the payment made has not been identified) or in unmatched obligations (money which has been committed but not yet billed). The financial manager is vitally concerned with both aspects of this "fallout" because the most efficient use of the funds

available to him cannot be achieved if they are tied up in either of these areas.

The second aspect of the reconciliation process involves matching expenditures to expenditures. Since requisitions and expenditures are constantly passing within and between appropriations, Responsible Offices and Major Claimants are concerned that the expenditures applied to the allotments within the appropriations they are administering are just and correct. For this reason, controls are established to monitor the correct application of expenditures to allotments. The daily NC632 summaries forwarded from the NRFC to the respective AAA's are supported at the end of each month with NC634 summaries. The AAA uses the monthly summary to insure that all expenditures supposedly billed to them during the month have in fact, been received. Secondly, the NRFC forwards expenditure listings by allotment to the respective claimants. The total of these submissions is then reconciled with the totals reported on the monthly financial reports (NC2170) submitted through the organizational chain of command. Differences between these totals are called undistributed disbursements and they represent differences between expenditures (disbursements) which have been recorded on the appropriation ledgers at the claimant level and those recorded on the allotment ledgers at the AAA. The AAA reviews all summaries to identify the erroneous billings (wrong allotment) and corrections are then sent back to the summarizing NRFC via NC2036 forms. Naturally, the delays involved in summary transmission, processing and correction make it extremely difficult to ever balance the total expenditures in the system and frequently, adjustments to the expenditure categories continue to be applied well after the appropriation has expired. This process is, however, an important one which attempts to maintain the integrity of the appropriation structure.

Hopefully, an understanding of the AAA organization and the reconciliation process will enable the reader to grasp the various field level processes that will be discussed in the following section. As stated earlier, the Naval Supply Center (NSC) Oakland's Comptroller Department will be used to illustrate exactly how many of the comptroller functions are performed. This organization was chosen for both its availability and its many faceted operation.

C. THE NAVAL SUPPLY CENTER, OAKLAND (FUNCTIONAL VIEW)

The Naval Supply Center at Oakland is primarily a stock point. In fact, it is the largest west coast stock point for both Navy and Defense material. The center stocks nearly 600,000 line items valued at approximately 924 million dollars. It employs nearly 1900 personnel of which 1800 are civilian. The Comptroller Department is involved in the control of funds for the operation of the center as well as the funds from various allotment holders to support the inventories on board. Additionally, this department has AAA responsibilities and it currently performs accounting services for 37 activities and 15 class 224 ships.

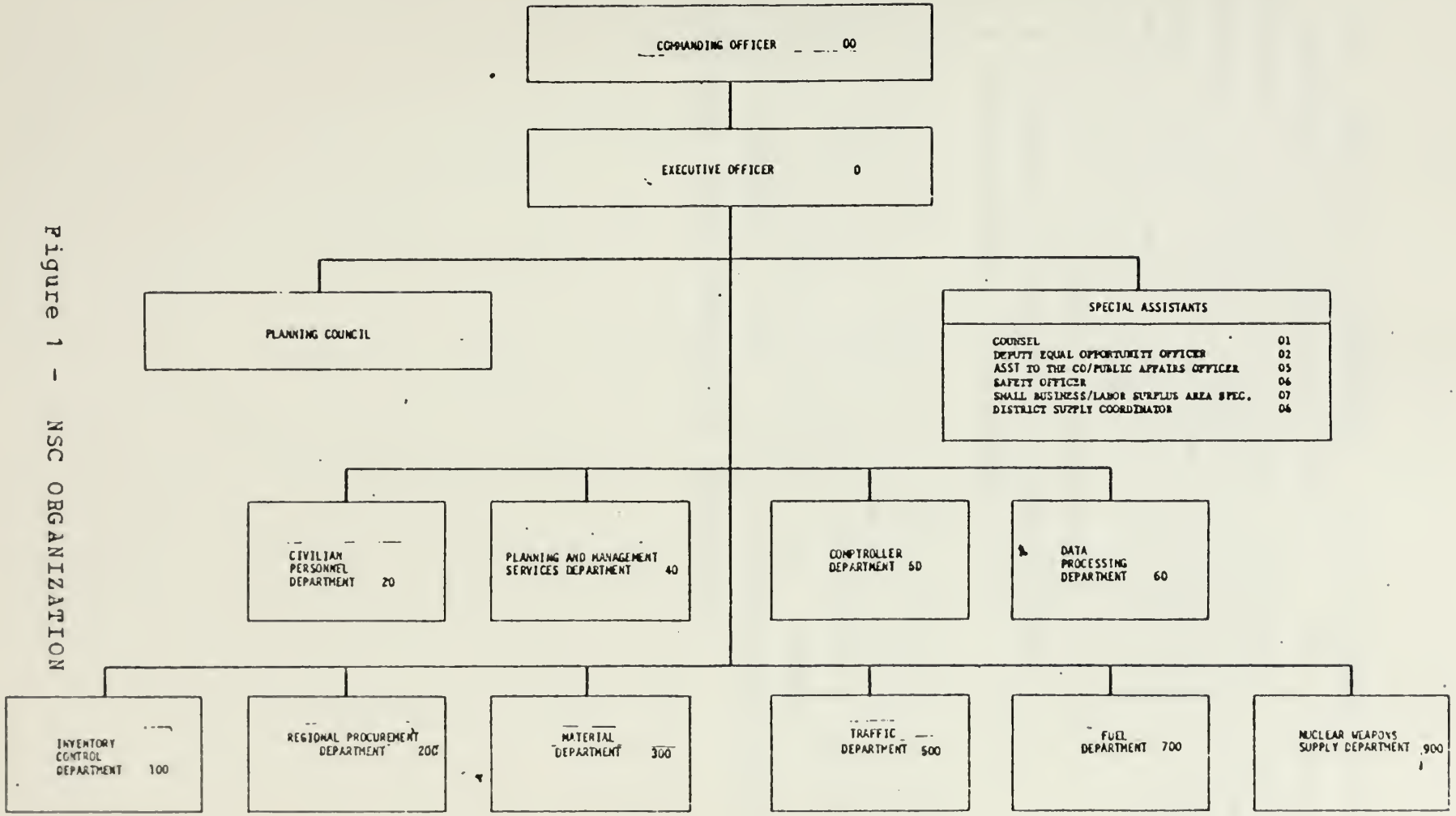


Figure 1 - NSC ORGANIZATION

The Comptroller Department as it is placed within the NSC organization is shown in figure 1. The departmental organization showing both the major divisions of Budget and Accounting, the staff for Internal Review and the respective sections within each division is illustrated in figure 2. The entire department employs 159 civilians and 3 officers who are distributed as follows:

* Budget (1 officer, 12 civilians)
* Accounting (1 officer, 144 civilians)
* Internal Review (2 civilians)

Although this distribution does indicate the relative volume of work by division, it gives no indication as to the relative importance of the functions performed within those divisions. The following sections will attempt to show, from a functional point of view, exactly what happens in each section of the Comptroller Department.

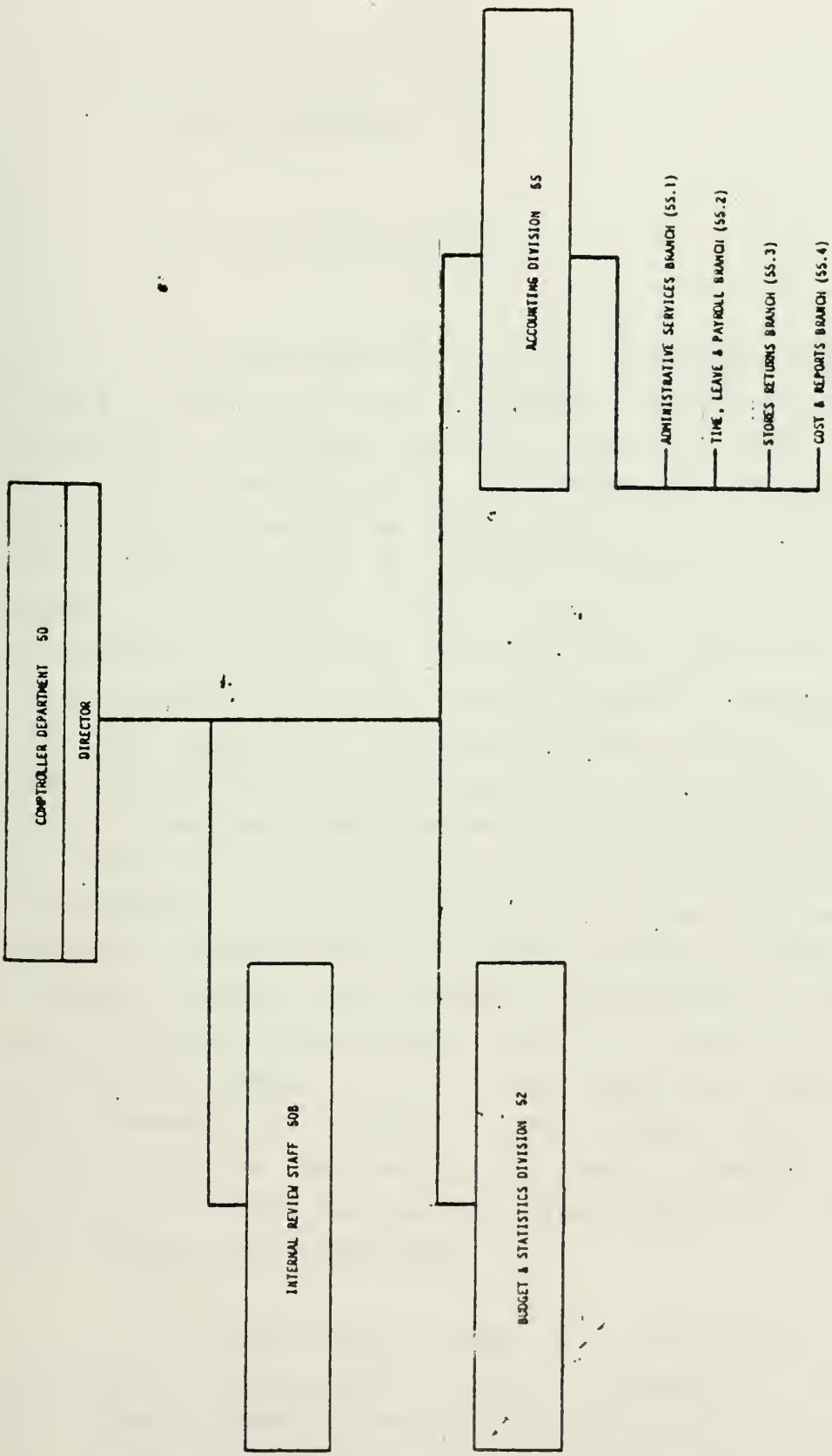


Figure 2 - COMPTROLLER DEPARTMENT ORGANIZATION

1. Budget Division

a. Operating Budget

The preparation of the operating budget for the Supply Center is not a budget process in the Planning, Programming and Budgeting (PPB) sense in that NAVSUP sets the initial parameters on the resources available. This is done approximately five months prior to the beginning of the fiscal year by means of a Tentative Financial Operating Plan (TFOP). This plan is then used by the center in the development of a Budget Execution Plan (BEP) which shows how these resources would be used to perform various missions. The BEP represents the center's "best guess" as to how much the various functions and services will cost over the next fiscal year and since the monetary and ceiling point levels are within the parameters of the TFOP, it is generally accompanied by impact statements. These statements address specific services which would be affected by changes to the funding levels from previous allocations or simply changes in cost factors which result (or will result) in decreased purchasing power. In a sense then, the Budget Execution Plan presented to NAVSUP is the Supply Center's "day in court". It is extremely important, therefore, that the anticipated costs derived are based upon the most accurate and reliable data available.

The dollars shown on the BEP are in three principal categories; labor (regular), overtime and non-labor. About 50 percent of the non-labor requirements are developed from raw data, including almost all of maintenance, ADP and significant portions of operations. The remaining non-labor costs can be accumulated from

historical data and known factors such as changes to prices, procedures or simply changes in the operating levels of the Fleet can be applied to that data for forecasting purposes. Inventory is funded separately from non-labor and will be discussed later in this section. About 70 percent of the labor requirements are developed by forecasting workload and production rates. Workload forecasts are developed from previous trends and from customer inputs concerning their funding levels and new programs. This information is then used with a series of rates which can be applied to the ceiling levels for the total dollar cost. To see how this is done, each of the rates is discussed below:

* Average Daily Rate (ADR). This is the average cost of an eight hour, straight time work day including differentials and living allowances but excluding fringe benefits (government contributions). Since NSC Oakland is characteristically labor intensive, this statistic becomes a key element in the BEP. To derive the ADR, data is taken from the Monthly Report of Civilian Employment by Appropriation (NAVSO 7410/1) as follows:

  (basic salaries) + (night, sunday or hazard pay differentials) + (differentials for personnel employed overseas) + (firefighter's premium pay) = Total dollars

  ADR = (total dollars) / ((total hours) X 8)

* Fringe Benefit Rate. This is the short term for the government's contributions towards an employee's Life and Health insurance, premiums and retirement payments. The information required here is taken from payroll data and is normally expressed to four

decimal places.

Fringe = Fringe benefits paid(for some period)/Salaries paid (for same period)

* Leave Rate. This is a factor used to estimate the total number of people required to provide a given number of productive manyears. It is computed as follows:

(regular leave) + (terminal leave) + (other leave) = Subtotal

(subtotal) + (holiday leave) = Total

L = Subtotal/((gross straight time manhours) - (total))

An historical leave rate is computed from the previous two fiscal years. These are then averaged for the leave rate to be used in the BEP.

* Acceleration Rate. This is a factor used to calculate the total cost of a given number of straight time productive manyears.

Acceleration Rate (R) = (H) + (PL) + (PF) X (1 + L)/(W)

where H = number of holidays per year

P = number of paid days per year

L = leave rate

F = fringe benefit rate

W = number of working days per year

* Average Paid Employment. This is a number, less than 365, representing the days of paid employment after taking into account holidays etc.

APE = R x (1 + L)

The total cost of labor is then computed as:

T = APE x ADR x (1 + F) x end strength

The overtime category uses a single factor to project the cost of overtime in the budget year. It is worth noting here that overtime payments are strictly controlled at the center. NAVSUP identifies overtime as a separate element in the Financial Operating Plan (FOP) although this is not a separate pot of money and no direct limitations are imposed on the use of the funds by higher authority. Nevertheless, the funds are apportioned to the various departments within the center as an entirely separate category. The factor is based upon the idea that the overtime cost per hour and the straight time cost per hour represent a relatively constant relationship (the straight time cost per hour is really the ADR/8). Consequently, the (ST/hr)/(OT/hr) ratio is computed each month and the 12 month average is used for projecting costs in the BEP.

Fortunately, the BEP is formatted in a far more

detailed fashion than simply labor, overtime and non-labor. Cost data must be arrayed by function, cost account and functional manager. The initial information gathering phase consists of a detailed review of the Activity Management Report (this will be discussed in depth later in this chapter). This review results in a series of sheets comprising both detailed and summary data of prescribed budget items. These sheets are then distributed to the various analysts in the Budget Branch where they are reviewed with an eye towards current staffing requirements and known program or procedural changes. Recommended changes and corresponding explanations are attached to the sheets. Upon completion, a board consisting of the Comptroller, the Budget Officer and the head of the Performance Evaluation Section, reviews each budget item in depth with analysts being called upon for comment as necessary. In a similar manner, heads of departments are called upon to discuss and/or justify specific changes from previous allocations. The end result is the BEP which is submitted to the Commanding Officer for approval and then to NAVSUP. Approximately one month later, NAVSUP reviews the proposed Financial Operating Plan (FOP) with the respective field activities (impact statements are presented here) and by 1 October, the approved FOP is received at the field level.

The annual operating budget for the Naval Supply Center is approximately 40 million dollars which is broken down into the major areas of Operations, Recurring Maintenance, ADP and Foreign Military Sales. (note: the fencing of these dollars will be discussed later in this chapter). The funds eventually received are distributed to the individual departments based upon the information in the BEP. If the total funding, however, was different from that outlined in the BEP, the optars would have to be adjusted accordingly. Typically, departments receive separate optars

for material and services (office supplies), major items of expense (to assist in the BEP compilation) and overtime (based upon historical data). Civilian labor is controlled by ceiling pcints and is not distributed to the departments. Direct reimbursables (i.e., reimbursable effort that is clearly identified and costs can be apportioned accordingly) are not passed to the departments but are simply assigned a job order number and "tracked" individually. Allocated reimbursables (i.e., one facet of a function such as in packing, the number of boxes packed for DSA), however, are estimated and included in the departmental optar. Reimbursables are funds that are returned (paid) to the allotment that origionally funded the material or services involved. At NSC Oakland, reimbursables represent about 15 percent of the total budget. It is interesting to note that the amount actually reimbursed is credited to the center and not to the department that performed the work. In addition to the departmental optars, a small amount is passed to the Commanding Officer as a contingency fund.

The individual departments do not account for their respective optars; they simply maintain a "check-book" balance reflecting the amounts obligated. The management of all the optars is the responsibilty of the Comptroller Department and the control over these funds is monitored by personnel in the Budget Division. The primary tool in managing the operating funds is the Activity Management Report (AMR). This is a summary of the actual data processed and the balance of funds available. However, since it does not reflect information about accounting discrepancies or the value of obligation documents "in transit", it is supplemented by the following optar control process:

Departments transmit obligation documents to an optar clerk (in the Budget Division) who posts them to a trial ledger.

The documents are then forwarded to the Acccunting Division where they are entered into the system as obligations against the operating budget. Approximately two times each week, the optar clerk receives a Funds Control Report from Accounting. This report is actually a detailed transaction listing cf individual obligation/expenditure transactions. The clerk uses this listing to insure that correct values have been obligated and that the differences between obligations and expenditures, if any, are posted to the trial ledger. Understandably, it would be impractical for the clerk to track every document in this manner. To simplify the process, therefore, a dollar value threshhold was established for each department and only those transactions above the threshhold are actually posted to the ledger. In this way, 40 percent of the documents involving roughly 90 percent of the dollar value of the transactions are reviewed. At the end of each month, a Document Control File Report is produced and this represents a summary cf all the Funds Control Reports less expenditure documents. In other words it shows the total value of obligation documents recorded against the operating budget. The optar clerk adds to this total, the value of the "in transit" documents (those documents received from the departments but not yet recorded against the operating budget by Accounting) for a net total of exactly how much has been obligated. This figure is then compared to the clerk's trial ledger to insure that no documents have been lost within the system. Some of the more frequent errors that this control process identifies are:

* "money value only" documents are processed citing one lot at a total price. If a quantity is associated with this lot, occasionally, the cost will be extended with the lot price vice the computed unit price.
* DSA expenditures, because of the time lags in their reporting, are applied to the records of the current

year vice the year in which the services were received.

* partial payments are processed as final payments thereby liquidating the total obligation vice re-establishing the remaining balance.
* documents are charged against an incorrect job order which result in their being applied to the wrong cost account in the Activity Management Report.

The AMR is actually a prototype for the Uniform Management Report (UMR). The UMR is designed to provide funds control status reporting and performance reporting as does the AMR but the frequency and formating will be somewhat different. Under the funds control reporting system of the UMR, the local manager at the optar level will be provided with a detailed Fund Control Report on a weekly basis. A responsibility level report will also be provided to the Comptroller Department and a summary report of funds status to the Commanding Officer. The timeliness of this report will be particularily important so that the decisions made at the departmental level can be based upon current funds availability thereby reducing the potential for over-obligation.

Throughout the year, the Comptroller Department is monitoring the actual costs and their variance to the operating plan. Some of the key factors under observation are:

* the actual number of personnel (civilian) onboard
* the average number of personnel on leave without pay
* hiring lags
* average Daily Rate and wage creeps
* non-labor optars
* overtime optars
* retirements and terminal leave

* the Acceleration Rate
* leave rates-annual and sick
* unit costs
* retroactive pay as a result of grievances

The plan is then adjusted to reflect changes in operations or other factors unaccounted for during the formulation of the BEP.

b. Allotment Budgets

In addition to the operating budget for the Supply Center, NSC Oakland also receives allotments from the various Inventory Control Points. These allotments support the locally managed inventories on board. The allotments currently managed are:

* Navy Stock Fund (NSF) Allotment 14014. Funds under this allotment are granted by the Ships Parts Control Center, Mechanicsburg, Pa. These funds cover the procurement of 1HA material, by local purchase or from GSA, for NSC Oakland stock or for activities submitting requisitions to NSC Oakland for procurement of carried or not carried 1H material for which the NSF finances the procurement lead time. Note: allotments 14014 and 28014 are broken into two categories; class 206 (not carried) and class 208 (non-standard...i.e., locally managed stock replenishment and not-in-stock transactions).
* NSF Allotment 15014. Funds under this allotment are granted by the Naval Publications and Forms Center, Philadelphia, Pa. These funds cover printing of local forms carried under cognizance 1IL for NSC Oakland stock only.
* NSF Allotment 18014. Funds under this allotment are granted by the Fleet Material Support Office,

Mechanicsburg, Pa. This allotment covers the procurement of COGS 9D (clothing) and 9M (subsistence) material by local purchase, GSA or DSA for stock or for activities submitting requisitions to NSCO for carried or not carried material for which the Navy Stock Fund finances the procurement lead time, and for COG CY and CZ material required from DSA stock for class 203 and 224 activities for which NSCO performs accounting. Note: class 203 activities refer to Ready Supply Stores; class 224 activities will be discussed later in this chapter.

* NSF Allotment 28011. Funds this allotment are granted by the Fleet Material Support Office, Mechanicsburg, Pa. This allotment covers the procurement of 9A, 9C, 9E, 9F, 9G, 9H, 9I, 9J, 9K, 9L, 9N, 9Q, 9V, 9W, 9Y, 9Z, 5N, and 5M material by local purchase, GSA or DSA for stock, class 203, 224 and 260 activities accounted for by NSCO, or for activities submitting requisitions to NSCC for carried or not-carried material for which the NSF finances the procurement lead time. Note: class 260 refers to SERVMARTS.
* NSF Allotment 34014. Funds under this allotment are granted by the Aviation Supply Office, Philadelphia, Pa. This allotment covers the procurement of non-standard 1R material (aviation) by local purchase for activities submitting requisitions to NSCO for which the NSF finances the procurement lead time.
* NSF Allotment 38014. Funds under this allotment are granted by the Fleet Material Support Office, Mechanicsburg, Pa. This allotment covers the procurement of 9X (fuel) by local purchase or DSA for stock and class 203 activities.

In addition to these, the Naval Supply Center, Oakland also manages a COSAL allotment to fund initial allowances for

spare parts for newly installed equipments onboard ships and various outfitting allotments to fund initial allowances of material for new construction ships and ships undergoing conversion. These allotments are managed by the Inventory Control Department with the status being reported to the Budget Division weekly.

Allotment requests for funds are prepared on a quarterly basis. Allotments 14014, 15014 and 34014 use NAVSUP form 1085 while allotments 18014, 28014 and 38014 use a prescribed letter format. The requests are based primarily upon historical sales data affecting each allotment. Funds control information is obtained and recorded by budget personnel monthly from the Allotment Request Feeder Reports. These reports are provided by the Accounting Division and they summarize all information pertaining to receipts, expenditures and inventory losses posted for the month. This information, taken from the Financial Inventory Report (FIR), is posted to a ledger (by allotment and class) which shows sales, authorized amount, spending, uncommited balance, commitments, obligations, accounts payable, undliquidated obligations and material in transit. The authorized amount is entered whenever funds are received; spending is the difference between the authorized amount and the previous month's uncommited balance; the uncommited balance, together with the remaining categories are posted from the monthly Status of Funds Authorization-Stock Fund (NC2129). Depending upon the allotment, additional ledgers may be required. Again, the object here is to monitor the current month's sales and spending.

As in the operating budget control process, accounting errors and misplaced documents could detract from the integrity of these reports so a similar control process is maintained for the NSF allotments. In this case, all commitments for NSF are sent to the Accounting Division.

These can come from any optar holder or from the Inventory Control Department (ICD). Within the Accounting Division the documents are sent to "financial edit", where it is determined if the request constitutes a charge to the NSF allotment or is, in fact, an end-use transaction. The documents then go to the Purchase Division. When the order is placed, a sheet is prepared and sent to key-entry; this establishes the obligation. A copy of that sheet is sent to the Budget Division where it is checked, totalled and posted to a trial ledger. At the end of each month, this is compared with the Feeder Report information discussed earlier to insure that the figures are reasonably close. Large errors would, of course, be investigated. In addition to isolating accounting errors, this process enables the Budget Division to maintain an approximate daily funds status of the allotments.

c. Other Functions

Besides maintaining the operating budget and NSF allotments, budget personnel are involved in a variety of corollary functions. A few of the more pertinent ones are:

* Reimbursables. The work requests for reimbursable work go to the Budget Division. Here one or more job orders is (are) assigned to each work request and it is determined whether the billing will be done as a direct charge (automatic) or on an allocated basis by letting the department concerned collect the costs and having Budget personnel apply a determined charge. The difference between these methods is simply a reflection of the control desired. Occasionally, the control desired, however, is dictated by the ease in which the costs can be collected. As work is completed, the Budget Division is informed of the hours and material involved. A

surcharge is applied and the total amount is forwarded to Accounting for inclusion in the monthly Work Request Status Report.These amounts are also applied to manual ledgers in the Budget Division and this provides a check on the monthly report. Accounting uses the monthly status report for their billing process. SF1080's are prepared for work performed but not yet billed and these are forwarded to either the NRFC or the customer activity. If the work was within the same appropriation, the Fiscal Officer at NSCO can certify both the "charge" and "credit" portions of the SF1080. If, however, the charge and credit are not of the same appropriation, the certification must be done by the activity receiving the service. At any one time, NSC Oakland handles about 300 work requests.

* Interservice Support Agreements (ISA). Approximately every 3 years, agreements between other government agencies who provide or receive services from NSCO and who fall outside the basic mission of the center as a Navy and DSA stock point are reviewed to determine what services or materials will be supplied. These are generally followed by work requests conforming to the guidelines of the ISA. NSC Oakland is involved with about 40 ISA's at the present time.
* Labor Review. All labor distribution cards for the center are reviewed for the correct assignment of codes in the exception data blocks. Also, a check is made to insure that various costs are being applied to the correct job order numbers . Periodically, job orders must be reviewed and brought up to date, eliminating old and unused numbers. Labor exceptions for the center are also investigated and corrected each pay period.
* Overtime. Each time an employee performs overtime

work, a "personnel onboard sheet" is filled out and signed. These sheets are sent to the Budget Division where they are compared to the monthly Pay-Type Report and discrepancies are investigated.

* Travel. All tango numbers for personnel at the center are controlled in this division. When the travel documents are prepared, they are forwarded to Budget where the accounting data and estimated per diem are entered.

d. Statistics

Besides serving as an optar control tool, the AMR is also used to report performance data. In general terms this involves comparing dollars and hours used to work units completed to measure productivity and unit costs. The function of collecting and inputing these work units to the AMR and then assessing the performance is performed by the Statistics branch. Before discussing this function, however, an explanation of the performance reporting system would help to place the purpose of this function in context. Furthermore, since the differences between the performance reporting system in the prototype AMR and the forthcoming UMR are relatively minor, the following explanation will be in terms of the UMR.

The Uniform Management Report (UMR) is designed to have four options in order that the field activity can choose the report format that best suits its needs. Report format A is designed for large production oriented activities such as Naval Supply Centers and for this reason, the remaining discussion will focus on UMR-A. All of the information previously provided in the NC2168 and NC2169 reports plus performance data can now be provided in a single report - UMR-A. This report provides a complete

picture of data by month and year to date for each cost account on a single page. The individual listing of data by month facilitates trend analysis and relieves the manager from saving numerous previous reports and from maintaining manual records to obtain trend data. Plan data can be entered by the month for each cost account or for the year and mechanically compared for tracking actual performance data to plan.

Figure 3 is an example of a UMR-A. The heading shows a Budget Classification Code of "SA" (Supply Mission Operations), a F/SFC of "A5" (Supply Operations) and a Cost Account Code of 2122 (Bulk issue). The upper left part of the report deals with the productivity of labor resources. The total work units shown in the second column represent the total measurement tons processed in the Bulk Issue branch. This amount divided by the number of workdays in the particular month results in an amount of daily average work units processed and can be used by management to convert future work packages into daily schedules. The next column, backlog, simply represents the amount of effort remaining to be accomplished at the end of each period. Increasing trends in this category can help the manager identify areas which may require additional staffing. The production rate represents the work units accomplished per manhour and is derived by dividing column 2 (work units) by column 5 (MH expended). This rate can then be used for trend analysis. The percentage fixed hours is the percentage of actual manhours expended for which labor standards (fixed allowances; i.e., supervisory personnel) were not applicable. The higher this percentage, the less meaningful the production rate, column 4, becomes. The productive effectiveness compares the manhours earned and authorized with the manhours actually expended. This ratio identifies periods when work was accomplished more or less effectively than anticipated (planned via the standard). Variations

from 1.00 in this column hopefully would cause the manager to investigate in order that he might learn what factors or actions caused the change in productive effectiveness.

In the upper right part of this report, manhours expended are converted into manmonths. Since one manmonth equals one person, the manager can quickly view the structure of the work force, the workload accomplished in terms of people and the amount of overtime incurred. Under the column headed "employee variance", the manmonths of production gained or lossed as a result of the productive effectiveness (column 7) is shown. This is computed by simply multiplying the total manmonths expended by the factor (1 - PE). Negative variances represent lost resources which must be regained by either increased productivity in subsequent months or diversion of funds from another source. Similarily, positive variances indicate a source of resources which can be diverted to cover shortfalls or backlogs in other cost centers.

The lower left portion of the report displays the expenses incurred (resources consumed) in accomplishing the workload shown in in the upper sections of the report. In this section, the manager can compare the actual consumption to the planned consumption. Column 7 shows the undelivered orders. These should be reviewed periodically for validity and, if no longer required, they should be cancelled and the funds applied more usefully. The next column, unit cost, shows the cost of processing one unit of work. Significant variances from planned unit costs would be a primary indicator to management of impending shortfalls or surpluses.

Figure 3 - UMR-A

UNIFORM MANAGEMENT REPORT - A

FROM: NSC CHARLESTON SC
UIC 00612

TO: CDR NAVSUP 0112
ARLINGTON VA
UIC 00023

(X) COST CENTER
( ) RESPONSIBILITY CENTER

APPROPRIATION: 1771804.2370

PERIOD ENDING: 31 MAR 19?

OB HOLDER: NSC CHARLESTON SC
UIC 00612

OB GRANTOR: CDR NAVSUP
WASHINGTON DC
UIC 00023

BCC - SA
FC - A5 SUPPLY OPERATIONS
CA - 2122 BULK ISSUE

DIRECT & REIMBURSABLE

COST CENTER: SUPPLY DEPT

Section 1

MAN-HOURS

REPORT MONTH	DAILY AVE. M/U	WORK UNITS	BACKLOG	PROD RATE	M/H EXPENDED	PE FIXED HOURS	PE	CIVILIAN REGULAR	CIVILIAN OVER-TIME	MILITARY	CONTRACT	TOTAL	EMPLOYEE VARIANCE
OCTOBER	776	17,075		2.67	6,380	21.21	1.01	35.8	.5			36.3	.37
NOVEMBER	771	16,953	1,542	2.63	6,452	21.32	.94	35.2	1.4			36.6	2.19-
DECEMBER	806	16,128	1,239	2.46	6,546	20.67	.95	38.9	2.0			40.9	2.06-
1ST QUARTER	783	50,156	1,239	2.59	19,386	21.06	.97	36.5	1.2			37.8	1.14-
JANUARY	796	16,708	1,847	2.63	6,350	22.37	.94	36.9	.9			37.8	2.36-
FEBRUARY	790	15,809	961	2.59	6,094	19.54	1.04	36.9	1.2			38.1	1.52
MARCH	784	16,458	324	3.07	5,368	24.18	1.05	31.8	.1			31.9	1.61
2ND QUARTER	789	48,975	324	2.75	17,812	21.96	1.01	35.1	.7			35.9	.37
1ST HALF	786	99,131	324	2.66	37,198	21.50	.99	35.8	1.0			36.9	.37-
YTD	786	99,131	324	2.66	37,198	21.50	.99	35.8	1.0			36.9	
ANNUAL PLAN	820	100,000	175	2.50	40,000		1.00	40.0	1.0			41.0	

Section 2

EXPENSES

REPORT MONTH	CIVILIAN REGULAR	CIVILIAN OVERTIME	MILITARY	COMMERCIAL CONT/OTHER	MATERIAL	TOTAL	UNDELIVERED ORDERS	UNIT COST	P/R LEAVE	STAFFING	TOTAL STAFF
OCTOBER	37,571.83	691.23			170.00-	38,093.06		2.23	6.8	42.6	43.1
NOVEMBER	37,253.10	1,984.66				39,237.76		2.31	6.0	41.2	42.6
DECEMBER	36,990.08	2,566.80			310.44	39,867.32	215.47	2.47	5.1	44.0	46.0
1ST QUARTER	111,815.01	5,242.69			140.44	117,198.14	215.47	2.33	5.9	42.5	43.8
JANUARY	41,216.35	1,247.44			192.40	42,656.19	139.26	2.55	4.4	41.3	42.2
FEBRUARY	39,127.53	1,751.89				40,879.42		2.58	5.5	42.4	43.6
MARCH	35,694.16	218.87				35,913.03		2.18	7.6	39.4	39.5
2ND QUARTER	116,038.04	3,218.20			192.40	119,448.64		2.43	5.8	41.0	41.7
1ST HALF	227,853.05	8,460.89			332.84	236,646.78		2.38	5.9	41.8	42.8
YTD	227,853.05	8,460.89			332.84	236,646.78		2.38	5.9	41.8	42.8
ANNUAL PLAN	250,000.00	8,500.00			400.00	258,900.00					
DIR EXP - YTD	220,850.00	8,260.69				229,443.73					

Section 3

REPORT MONTH	GROSS ADJ OBLIGATIONS	CONSIGNMENTS	PRIOR YEAR EXPENSE
Month	35,505.66	157.24	107.37
YTD	236,413.68	329.67	233.10

I certify that the total expenses in this report reconcile with NAVCOMPT Form 2199 and 2171 reports in accordance with paragraph 601.5b.(4) of NAVSO P-3006-1, and that adjustments annotated in the previous months report have been corrected in this report.

Signature____ _____

Rank/Title_____

Date _____

The lower right portion of the report deals with staffing requirements. The prorated leave column shows the manmonths of leave taken while column 10, staffing, shows the labor resources (civilian regular plus prorated leave) required for the period. The final column merely adds to this, the overtime and the military manmonths.

Beneath the expense and staffing sections, a few data elements relating to funds control are listed. Specifically, Gross Adjusted Obligations (current year expenses; column 10 minus prior year expenses; footnote) plus consignments when subtracted from the annual plan, provides the current year uncommitted balance.

It is evident from the foregoing discussion that the UMR is an important management tool. Its value, however, depends upon the accurate collection and reporting of work units. (note: the other elements, dollars expended and labor hours enter the report via the funds control process and the labor distribution cards respectively). This is where the statistics function becomes involved. The reader will recall that during the discussion of the financial information structure, four dimensions, each with its own hierarchy, were explained in context with reporting information upward from the field level. Within the field activity, however, local managers need to see cost data consistent with their organization and this often lies below the CAC and EE levels. To accomplish this, field activities use a job order system which assigns codes to specific functions within CAC's. For example, under Shipping (CAC 2124) alone there are nearly 20 job orders. Examples of a few are:

* Shipping - vans -stock
* Shipping - vans - HHG

* Shipping - vans - NRSO exchange
* Shipping - backlog
* Shipping - Coca Cola
* Shipping - parcel post

Because these job order functions frequently cross organizational lines, each work center within the Supply Center is assigned a Labor Management Code (LMC). This four digit code simply shows the department, division, branch and section. Each work center is responsible for reporting to the Statistics Branch the work units completed on a weekly basis. Work units are defined in the NAVSUP Publication 285, chapter 5. For example, the work unit for Shipping is measurement tons where one measurement ton = 40 cubic feet. Forms showing the various job order options are available to all sections and they merely fill in the applicable work units opposite the respective job order number and send this to the Statistics Branch. By using the LMC, the Statistics Branch can check to insure that all sections within the center are submitting work unit information. Furthermore, this information can be quickly checked against historical data to spot obvious errors or ommissions. The forms are then sent to ADP for key-entry. This facet of the statistics function is primarily a control and coordination process. The other facet involves reviewing the production data after the AMR (UMR) is produced. Variances from previous month's work greater or less than one percent must be reported to NAVSUP and it is the responsibility of the Statistics Branch to define and explain these variances. This involves close coordination with other departments and frequently necessitates a draft explanation of the variance from the respective work center. Problems often arise between departments where each will take full credit for what was, in fact, only a partial effort.

A collateral function of the Statistics Branch

is the maintenance of the Supply Management Facility Report. This document is produced two times each year and shows the total space available to the center, how much is actually being used (both by tenants and NSC) and the balance remaining. Considering that NSC Oakland has over 80 warehouses, this is no small task and the importance of this type of information to the local managers cannct be overemphasized. It prevents warehouse personnel from "spreading cut" and forces them tc make the best use of space available. Additionally, if it is accurately known how much space is required for a specific type of material, the center can easily make the "rent or buy" decision when additional space is required. It is interesting tc note that when space for structural pieces, shelving and isles is subtracted from the total space inside a warehouse, the space remaining for stowage of stock is only 43 percent of the total.

e. Special Projects

The last function to be discussed in the Budget Division is special projects. The process here is rather self-explanatory and involves the cost analysis of various concerns throughout the center. Departmental managers, including the Comptroller, may wish to know the relative costs and benefits to be incurred or derived from a change in operations. These requests are submitted tc the Comptroller Department, assessed and assigned a priority for completion. One example is simply how much to charge customers for reimbursable work. The Supply Center seeks reimbursable business when they are dollar constrained vice ceiling ccnstrained as a means of keeping productive labor on board. Naturally, the costing of this work must be accurate so potential contracts are not lost or an operating loss is not incurred in the performance of the work.

2. Accounting Division

The Accounting Division is involved in the principal functions of payroll, labor distribution, plant property accounting, contractor payments, NSF accounting and reporting. This division is involved not only with services to the Supply Center but because of its AAA responsibilities, for the services to 37 other activities. For this reason, the discussion of the various functions will be in terms of services provided to customers and will not necessarily differentiate between NSC Oakland and other activities.

a. Administration

This branch serves to coordinate the various functions performed within the Accounting Division and while it is not a Comptroller function in itself, its organizational importance warrants a brief discussion. The scheduling of all computer generated reports with the ADP Department (ADPD) is arranged in this branch. Although ADPD is currently building a master priority schedule for the reports, a large amount of scheduling is still required for the various accounting input documents. The on-site disbursing officer is in this branch. He is responsible for signing all payroll checks and taking in all collections (i.e., commercial vendor payments or jury duty rebates to the government). The Administration Branch also orders all stock for the division, retires old records and reports, handles maintenance problems (arranges for repairmen) and coordinates the office machine repairs for the division. Lastly, this branch sorts and routes all mail and breaks down and distributes all listings and reports to the various

sections.

b. Payroll

One of the largest functions in the Accounting Division is paying civilian personnel. At NSC Oakland, there are 31 people involved in this process and they are responsible for paying nearly 7500 civilians from 37 activities. Payroll personnel use and maintain an Employee Master File which is a mechanized record for each employee paid showing entitlements, deductions, contributions etc.. This file is then updated with any changes (i.e., promotions) and then used to compute the biweekly salary. The information relative to the amount of time each person worked is, for most activities, transmitted to NSC Oakland by means of a manually prepared time card. This card is coded to reflect each employee's identifying information and the number of hours worked during that period. These are collected at the activity and then either delivered or mailed to NSCO. Ordinarily, this would be considered a fairly routine task. Unfortunately, the mail is not always as reliable as it should be and occasionally, the cards are delivered to the wrong person or to the wrong place. To prevent this from happening, some activities have changed from mailing the cards to using Greyhound services and a representative from the AAA simply picks up the cards from the Greyhound station.

Once received, the Payroll Branch reviews all the data to insure the accuracy and validity of the entries. Additionally, the clerks receive allotment forms, mail payment forms (for those who wish to have their check sent to a bank), union pledges, tax information and promotion documents which must be prepared for keypunch and are used to update the Employee Master File. This file,

incidentally, has each employee's rate of pay on record so that when the time card information is input, the rate of pay can be computed. After the various forms have been input by the branch, the ADPD produces a Permanent Change Listing. This is distributed back to the Payroll Branch so that each clerk can confirm that the input has been processed correctly.

During a pay week, a cut-off is assigned for the receipt of time cards. Typically, this is 0900 Monday. Input is submitted each day. Errors fall out, are corrected and put back in. A final validation of all input is performed and if this is satisfactory, the computer is instructed to proceed with the pay computation. A tape is generated which is used to produce the payroll certification sheets, cards showing the net pay to be made and a history card for each person showing the name and amount. The history cards are totalled and compared to the net pay cards. If the totals agree, the checks are printed, given to the on-site disbursing officer for signiture and then distributed. Naturally, the hours to be paid should agree with the hours reported on the labor distribution cards however, if there is a variance, the labor distribution totals are amended. Activities in the immediate area generally send a representative to pick up the checks and the more distant activities receive their checks by mail. To help speed the mail process up, NSC Oakland uses what is known as "option 5". This is an agreement with the Post Office that guarantees delivery anywhere in the continental United States in 24 hours provided the checks are received at the Post Office prior to 1700 Thursday. A problem does arise when the paying period does not coincide with the end of the month and when this happens, the center must go into a "special cost period". Customers send in labor distribution cards for the period (ie. 21st - 30th) and this is reported as labor earned, obligated and unpaid. This

enables a true accrual of expenses for the period to be reflected on the financial reports. At the end of the next pay period, the accrued hours are backed out and the full period hours reported. In addition to the pay process, a biweekly leave listing is produced and sent to all supervisors in the center. This assists them in managing and scheduling the leave by monitoring the leave balances.

Sometimes, AAA's are tasked to perform added services over and above their normal workload. For example, last year, NSC Oakland was tasked with the responsibility of paying 731 U.S. civilian employees returning from Vietnam. These employees were to be paid for a 60 day period while they found new employment or were separated. Why NSCO? Simply because they were the largest paying activity nearest the point of debarkation. NSCO's Payroll Branch was augmented with additional clerks but problems did arise in obtaining and processing the documentation associated with Foreign Post Differentials, Living Quarters Allowances and so on. NSC Oakland was also tasked with the final separation payments for 3800 Vietnamese. They were authorized 4 weeks pay in lieu of the required separation notice, severence pay, salary through the end of the month, lump sum leave, a prorated bonus, two days overtime and one holiday. NSCO processed this information and sent the checks to three large refugee camps for distribution.

c. Labor Distribution

In addition to the time cards, customer activities are also required to prepare and submit labor distribution cards. Each of these cards has job order and employee information and shows what type of labor was performed (i.e., overtime). This information is applied later to the various financial reports to show both where

and how much the labor expenses were. These cards are received, batched and processed by the Accounting Division in much the same way as the time cards. The Master Job Order File on the computer is updated with the information on the labor distribution cards. Naturally, if job order information on any of these cards fails to match against the job order on file in the computer, the total labor distribution will be off by that amount. To account for this problem, NSC Oakland establishes suspense job order files for each activity which temporarily hold the unmatched information (job orders that the computer cannot recognize). The total of both the suspense and the regular files are consolidated for reporting upward, however, to liquidate the suspense file, a listing with corresponding cards must be sent back to the activity for reconciliation with their own records. The activity must then go back through the pay card and labor card information to find the errors and then resubmit corrections to the AAA. This continuing effort gradually reduces the suspense file which must be completely cleared by the end of the fiscal year. At the end of each month customer activities are provided with a Labor Pay Type Report (NAVSO 7410/1) which spreads this information to show the labor earned for the month (regardless of when paid) by the type of work performed (overtime etc.).

Both the payroll and labor distribution functions, even with the assistance of the computer, are quite cumbersome. One method currently in progress to reduce the manual effort involved in verifying this information is through source data acquisition - getting computer generated cards with much of the employee information such as identification and job order data already filled in. The name for this system is MUACS; Manpower Utilization and Control System. Monday and Tuesday of each off-pay week is devoted to payroll maintenance. Personnel action forms are processed and on Tuesday

afternoon, the Master Employee Record is updated. At this time, the computer simultaneously produces time and labor cards plus a Permanent Change Listing. This listing sets up the controls for the payroll clerks so they can validate the time card information when it comes back from the activities. The time and labor cards are distributed to the activities and all that has to be done is to fill in the hours on each card and insure that the hours on both the pay and labor cards are the same. Under this system, only the exception data (changes such as promotions etc.) has to be keypunched. The clerical effort previously required to receive, batch and verify the time cards and then again for the labor distribution cards and, finally, to reconcile the two is significantly reduced. Unfortunately, MUACS does not resolve the transmission problems. Currently, however, consideration is being given to ways in which the time and job order information could be fed in directly from remote terminals. The problem is that where pay is involved, signed documents are required as authorization before money can actually be released. MUACS is presently working at NSCO for the Navy Regional Medical Center, the Naval Communications Station, Stockton and the Consolidated Civilian Personnel Office, Treasure Island. As new activities come under NSC Oakland's customer umbrella, they will be placed directly on to MUACS. Meanwhile, the remaining customer activities will be phased onto the system over the next 18 months.

d. Plant Property Accounting

Another function performed by the Accounting Division is the accounting for plant and property. It is a relatively small function for most AAA's - NSC Oakland employs three people to handle the accounts for 31 activities. To do this, a master account is established on

the computer for each activity listing by class, the item and the dollar value. As changes occur, customer activities send in DD 1342 cards showing additions or deletions to their property accounts. Typically, a transmittal would be accompanied by a covering letter and when the disposition of property is involved, the authority that was used is referenced. Again, as in other functions, the clerks receive, batch and verify each transmittal before they are applied to update the master file. Three times a year, NSC Oakland produces a listing (NC167) showing the current class 3 and 4 property holdings (land and buildings are not shown) and their respective dollar values. This listing is sent to the customer activities to assist them in maintaining their own records and to make sure that the customer records and those of the AAA agree. If discrepancies are identified, the activity simply annotates the listing and returns it to NSCO for investigation and correction if necessary. If an activity transfers from one AAA to another, the old account is forwarded from the previous AAA as the official record. In cases where the activity is new, the AAA is notified by NAVCOMPT of the new customer and an account is set up on the master file. Another report provided by the AAA is the Work in Progress Report (NC176). This displays the current status on projects like new construction and improvements and is reported on a job order basis. Activities forward expenditure documents showing how much has been paid and these are used to update the dollar value of that project. The progress report is then sent back to the activities to assist them in monitoring their projects.

Some of the problems in this area are the assignment of wrong or invalid job order codes and the reporting of consolidated purchases under one job order. If this happens, the activity should spot the error on their tri-annual listing, investigate the problem and return the listing to NSCO for correction. Assigning wrong numbers or

transposing digits sounds trivial but it can rapidly become a big problem if not corrected. Difficulties are frequently experienced by activities trying to explain property that no longer exists or the other case where many items of small dollar value were acquired but reported as a single amount.

e. Contractor Payments

A relatively new function, the work of the Contractor Payments Branch is the result of a program called Integrated Disbursing and Accounting (IDA). Since IDA is a new system, a brief description of its background and what its objectives are will precede and hopefully, place in context, the discussion of the functions of this branch.

Since WWII, the accounting for dollars has been done on both a cash and a cost basis. Typically, the NRFC's would report financial data in terms of cash disbursed and the AAA's would report in terms of costs expensed. These would inevitably be reconciled and naturally, problems arose. Among the more significant problems of the cash/cost system were: duplicate recording of data at all levels, untimely financial information, hard copy documentation for all transactions, multi-level reconciliation and the corresponding undistributed and/or unmatched documents. The objective of IDA is to integrate these two systems to achieve a more timely and accurate financial reporting system.

The key facets of this system are:

* AAA's will establish an integrated data base and a single set of documents will serve as the official accounting record. Commitments will establish a record within this data base and will be updated by obligation or receipt information.

* Customers of AAA's will be provided with telecommunication devices to permit entry, inquiry and receipt of information in the data base on a near real time basis. Hard copy transmission will no longer be required and funds status will be provided by mechanically produced listings.
* Information entered into the data base from invoices and receiving documents would be combined with the data on file to establish accounts payable and a record of expenses. From this, information can be computed and used to issue payment checks to vendors and produce disbursing reports. The use of the single data base at the AAA eliminates reconciliation of the cash/cost data at two separate activities.
* Hard copy documentation will remain at the originating activity. This greatly reduces the document flow and since transmission is via terminal, it is faster.

Under IDA, improved processing will be accomplished through the establishment of a financial information processing system consisting of source data collection/entry and an automated data base which uses the accounting record as the basis for all transaction processing. As a result, information enters the system on a more timely, accurate and complete basis and the accounting records are updated daily. By using the same data base to generate all reports, detail information required for local management reports can be summarized for use at higher management levels. Summarization from the transaction level should speed up the reporting process from the 25 days at present to about 5 days.

The role of the NRFC has diminished in this process and although their functions are gradually shifting to the AAA's, the AAA organization will be consolidated

under IDA. The present number of 200 AAA's will be reduced to a single Central Accounting and Finance Office (CAFO) and 14 regional Financial Information Processing Centers (FIPC). Each FIPC will be linked to remote activities by telecommunications equipment. Smaller activities and detachments not having sufficient transaction volume to warrant such equipment will provide input through parent activities' telecommunications media. Ultimately, all FIPC's will be interconnected and will have the capability to exchange data directly between themselves and the CAFO.

So far, many of the duplicate functions previously done at the NRFC's have been transferred to AAA's and while transmission of financial data via telecommunications media is not yet possible, the processing of purchase documents alone has been significantly improved. To illustrate how IDA is now working in the Contractor Payments Branch at NSC Oakland, a request for NSF material will be tracked through the system. The commitment arrives (or is initiated) at the Inventory Control Department (ICD). ICD forwards the document to Accounting for entry into the Data Exchange Master File (DX file). Each commitment updates the DX file and simultaneously produces a card which is given to the people in Accounting who handle NSF records (Stores Return Branch). ICD makes up a purchase information worksheet which goes to financial edit for entry of the chargeable accounting data and then to purchasing. Purchasing assigns a Purchase Individual Identification Number (PIIN) to the document which is then given to the typist for the contract construction. A copy of the purchase document goes back to Accounting where the PIIN and a good obligated price is applied to the commitment card. This card is then used to update the DX file moving the commitment to an obligation. After the material has been received, the invoice is certified by the customer and passed to the Contractor Payments Branch where it is checked

for validity/propriety. If the invoice is correct, the voucher examiner creates a code sheet which is key entered to the DX file. The DX file can then produce a listing showing the amount to pay and the check. The list is verified, signed and given to the disbursing officer. The D.O. signs and releases the check using the listing to substantiate his financial returns.

For funded purchases (other than NSF), the process is almost the same. In this case, commitments are called ccnsignments and consignments are applied to the DX file by Accounting at the time the document input sheet is sent to Purchasing. This "funds" the money in the cost reports whereas with the NSF transactions, the lead time of the procurement was funded by the NSF.

Throughout this process, the Contractor Payments Branch is responsible for the input of all commitments/consignments, processing all purchase worksheets, verifying vendors' invoices for payment, researching and reinputing any errors and maintaining customer liaison. One problem that has arisen is in the area of "fast pay". This is where the customer certifies the delivery document and that document is then used for payment. With fast pay documents, the invoices were coming in faster than the purchase order was being processed so payment was withheld while the invoice was being verified and in many cases, this resulted in the loss of purchase discounts. The Contractor Payments Branch is hoping to correct this problem by eliminating the step where Accounting moves the commitment to an obligation. Once the commitment is established and the purchase worksheet is sent to Purchasing via financial edit, Purchasing can make the order, assign a discount and place the information into a LINOLEX machine (programmed to produce contracts). At the time the purchase order is created, the relevant information

is simultaneously transcribed to a disc which is then used to update the DX file. So far, IDA is just getting started at AAA's but it has been estimated that the savings involved in the purchase/invoice/payment process alone will amount to nearly 41 million dollars over a ten year period.

f. Stores Returns

The Stores Returns Branch is divided into three sections. The first of these, the Receipt, Billing and Expenditure Section maintains money value inventory ledgers by COG, CLASS and FSN. Stock receipts are posted within the relevant departments and input to the computer. Since current NMDL prices are held in memory, an extended price is computed and a listing with cards is produced and sent to this section where they are posted to the ledgers. Expenditures arrive via summaries (NC2074, P4, P5, NC632) and these are edited, batched, input to the computer and at the end of the month, reconciled with receipt information. Differences from the reconciliation are posted to the ledgers as gains or losses. The guidelines here are that differences less than 500.00 dollars or differences greater than 500.00 dollars where the quantity on both the obligation and expenditure agree are allowed to pass. Monetary differences greater than 500.00 dollars and with variations in the quantity are accepted for record purposes but challenged via correspondence. Erroneous expenditures are collected and rerouted to the correct AAA. The process involved here is very similar to the accounting functions performed in other sections. The Stock Fund section, for example, maintains financial ledgers of NSC Oakland's NSF status. A unique aspect to this section is the "wash-through" transaction. This is where an item requested from NSCO was never held at the center and the shipment is arranged from its present location direct to the customer.

These are said to "wash-through" NSC Oakland's Stock Fund allotments because only the documents are handled at NSCO. At the end of each month, this section produces a Status of Funds Report (NC2129) and a Report of Reconciliation (NC2036) which are both sent to the respective allotment holder. The Financial Inventory and Edit Section deals with all NSF transactions other than at NSC Oakland. Specifically, this involves Ready Supply Stores, BAYMART and the 15 class 224 ships. By way of definition, Ready Supply Stores are warehouses of high use/high turnover type items which are positioned on site at the customer activity. The material is still a part of NSC Oakland's NSF inventory but it is managed by the local activity. The advantages of this arrangement, of course, are reduced transportation costs associated with bulk shipments from Oakland versus individual shipments and the immediate availability of the material to the user. Since the average cost in the Navy to issue a single item from stock is between 25.00 and 40.00 dollars, it can be appreciated why replenishment techniquses like Ready Supply Stores and SERVMARTS/BAYMARTS are necessary to keep costs down. Class 224 ships are essentially the same as RSS only they take the stock to sea. High use items such as lube oil and bottled gases are carried onboard as deck cargo and "sold" to other ships on station.

Since all of this material still belongs to the NSF, the monetary value of stock on hand, plus any transactions which affect the level of stores, must be reported by each "holding" activity. As might be expected, this is done through the use of transmittals which include all receipts and expenditures for the period. In some cases, this happens as often as every day while onboard 224 ships, it is done on an 'as occurring' basis but no less than once per month. In the past, these documents were sent to NSCO and prepared for key entry by the clerks. More

recently, NSCO has implemented an intensive training program to improve the quality of the data from their customers and they are now at a point where many of the documents can go directly to key entry. These are processed to update NSCO's stock status and to provide the customer with a weekly listing which shows the monetary value of each type of material held (listed by COG). Then at the end of each month, NSCO sends a consolidated list to each customer showing the stock on hand by stores account, cognizance symbol, group/class and stock number. Activities use both the weekly and monthly listings for the control and reordering of material. NSC Oakland, in turn, uses the information collected from the Ready Supply Stores and the class 224 ships together with their own stock transactions to compile the Financial Inventory Report (FIR). The FIR (NC2154) is a monthly statement to the Naval Material Command and the respective ICP's of all issues, receipts and adjustments of NSF transactions. Naturally, with the funding constraints experienced in recent years, the accuracy of the FIR has been given increased emphasis. Daily stock fund transactions are reviewed from the extended daily statement. Where billing is required, the ledger unit clerk sends the relevant information over to the billing clerk (first section discussed) to enable the preparation of the SF1080. Also, each FIR caption has a dollar value limit so the clerk can quickly scan the daily transactions and identify potential errors. At the end of each month, the trial ledger balances are compared to the FIR as a further check on control and accuracy. Within the FIR reporting process, the ICP receives monthly financial information by COG. The total value of the monthly NSF transactions is reported to NRFC San Diego and the dollar value of the two is eventually compared at NAVCOMPT on an annual basis. These financial accounts are a summation of the stock records in the supply system and their reconciliation helps to keep them in balance.

g. Reports

One of the most important functions performed at an AAA is that of reporting. At NSC Oakland, the Cost and Reports Branch consists of 51 personnel who maintain records of all charges and credits to appropriations, applicable sub-heads, allotments and project orders. Although the reports are generated by the computer, the status of each of the accounts reflecting the various transactions (obligations, expenditures, credits, transfers etc.) processed throughout the month by this and other sections must be posted to the master ledgers. The accounts are then balanced for accuracy before the reports are released. Throughout this chapter, various reports have been discussed in their relationship to specific functions. From a functional pcint of view, the principal external reports for both NSCO and customer activities can be categorized into twc areas as follows:

Resource Management System (RMS) Reports

* NC2170 Expense Operating Budget Financial Report
* NC2171 Budget Classification/Functional Category/Expense Element Report
* Uniform Management Report (UMR). This has replaced the Operating Budget Expense Report (NC2168) and the Local Management Performance Report (NC2169).

Appropriation Accounting Management Reports

* NC2025 Status of Funds
* NC2051 Labor Roll/Material Report
* NAVSO 7410/1 Monthly Report of Civilian Employment
* NC2074 Report of Fund Authorization Charges
* NC2036 Reconciliation Report

The NC 2170 shows the operating budget resources, the charges against the operating budget and the balance remaining. It is currently being reformatted and will soon be replaced by the NC 2199 report. The NC 2170 basically compares the previous month's balances with the current month's balances showing the amount of changes in each account. The report is divided into sections showing the trial balance, the accumulated costs for the maintenance of real property, the current month expenses for military labor, reimbursable transactions and selected expense operating budget accounts. Major Claimants are required to prepare a mechanized listing and cards for selected data accounts within the NC2170. This is called a Register 71 and is used to aggregate financial data for the Navy Cost Information System.

The NC2171 reports accrued expenses and gross adjusted obligations (expenses plus unfilled orders minus military labor expense) by BCC, F/SFC and EE. A separate report is required for each operating budget and is submitted for the current fiscal year only. It is supported by a Register 10 listing and cards which reflect current month changes on each data line. The report provides detail input to Major Claimants for summarization and submission to the NCIS at the OPNAV/NAVCOMPT level.

The Uniform Management Report has already been discussed at length in a previous section of the chapter.

The compliment to the NC2025, the NC2129 (Status of Funds-Stock Fund) was mentioned briefly in the Stores Return section. Essentially, these reports provide the current status of allotments and/or sub allotments. The NC2025 includes changes for the month, current fund authorization, gross commitments, gross obligations,

disbursements and the uncommited balance. A separate report is prepared for each allotment and is submitted monthly to the allotment holder.

The NC2051 distributes civilian labor charges to appropriations/allotments, effects charges tc appropriations for NSF material issues (and credits the applicable stock fund for the amount of the charges) and lists statistical charges for APA material on a reimbursable basis. Both the labor and NSF material charges are supported by NC632 cards and forwarded to the NRFC Treasure Island and San Diego respectively.

The NAVSO 7410/1 reports civilian labor by appropriation each month to the same NRFC as the NC2051. The report must show each activity for which payrolls were paid; in the case of NSC Oakland, that would include all 37 customer activities. The principal use of this report, as discussed earlier, is for personnel administration and budgeting.

The NC2074 reports end-use charges and credits for labcr and material generated by another activity to the AAA performing the accounting for the authorization charged. In essence, the NC2074 is a listing of expenditures which can be used by the appropriate AAA for reconciliation purposes.

The NC2036 report was discussed in the explanation of the reconciliation process. It is a quarterly report prepared for each allotment and in the case of NSF, for each budget project which provides the allotment holder current expenditure reconciliation status.

3. Internal Review

The Internal Review function is small compared to the activities previously described. At NSC Oakland, the two men currently assigned to this area are assisted by an additional two personnel from the Area Audit Service. Their primary service to the Comptroller is to conduct analyses, reviews and/or investigations of the current operations for the purpose of detecting errors or unsatisfactory performance. A complete listing of their functions and the respective time alloted to each is shown in NSCOINST 7510.1E and is listed here for illustration.

* Perform audits of non-appropriated fund activities (5 percent).
* Render assistance in correcting deficiencies which are revealed by audits conducted by the Naval Audit Service or by reports, analyses, observations or other means (10 percent)
* Participate in the design and installation of financial and accounting systems and procedures, with emphasis upon the identification and use of valid audit trails and other management controls (1 percent).
* Provide advice, coordinate development and review the use of quality control indicators that routinely will gauge the effectiveness of financial management and control (1 percent).
* Design and coordinate safeguards or refinements to existing financial controls for material and financial accountability for such areas as Fund Resource Accounting, Reimbursables, RMS, Payroll, Expenditures and Collections, Unmatched Documents, Unfunded Accounts Receivable and any other areas that warrant such control (2 percent).
* Design and apply audit checklists for internal review in areas of system-wide concern, to include the areas of physical security and ADP security for

control of theft or fraud (1 percent).

* At random occasions, review the proper execution of various directed programs such as "cost reduction", appropriate use of economic analysis, review of the FIR, validation of the Master Stock Item Record with the Financial Inventory Control Ledger and physical inventory and reconciliation (32 percent).
* Participate in reviews of system-wide problems as directed by NAVSUP (1 percent).
* Render advice on matters of organization and staffing within Comptroller areas (2 percent).
* Maintain liaison with, and provide assistance to, auditors of the Naval Audit Service assigned to perform continuous, periodic or integrated audits; provide similar assistance to other audit or inspector representatives such as GAO, IG etc. (5 percent).
* Perform the required review of civilian timekeeping and payroll functions (27 percent).
* Review SERVMART operations at least semi-annually (2 percent).

D. THE NAVAL SUPPLY CENTER OAKLAND (ORGANIZATIONAL VIEW)

1. General

The functions and corresponding processes previously described were designed to satisfy specific line management needs. Occasionally, however, these needs change and it becomes necessary to monitor or to amplify various elements of financial data. Special reports or controls must be implemented and since these additional requirements are seldom accompanied by increased resources, their

implementation has an obvious impact upon the processes currently performed. Other factors such as resource constraints, customer needs and workload volume also impact upon Comptrollership processes. The purpose of this section is to look at some of the organizations outside the Comptroller Department to see how they influence the Comptrollership effort at the field level.

2. Activities Outside the NSC Organization That Impact Upon the Comptrollership Processes

a. The Comptroller of the Navy

The Comptroller of the Navy (NAVCOMPT) is responsible for financial management policy. NAVCOMPT develops and issues standard functional patterns for use in organizations throughout the Navy and periodically reviews those organizations to insure that they are providing comprehensive services to the respective command. The designated comptroller functions are outlined in NAVCOMPT Manual, Volume I and this, together with volumes II, III and IV serve as the 'Bible' for financial management. The NAVCOMPT organization is continually assessing the existing procedures and looking for better ways in which to serve line management. As a result, the major interaction between NAVCOMPT and field organizations comes in the form of instructions and/or notices which alter existing procedures. Sometimes this means merely a 'fine tune' to a particular practice and at other times, it results in a major modification that requires reprogramming and reorganization. The Navy-wide Uniform Management Report (UMR) was one such recent change. This was released as a NAVCOMPT Notice and required extensive interpretation at the field level and later, considerable effort towards reprogramming.

Implementation of this one change alone at NSC Oakland is likely to tie up resources for several months. Although the Naval Supply Systems Command has been designated as the Central Design Agent for this project, the decision to go with the change was a policy matter and came from NACOMPT. Other significant changes that have occurred recently are the new Integrated Disbursing and Accounting procedures (IDA) discussed previously and the revisions to standardize the General Ledger Accounts structure. Each of these changes have the potential to improve financial services but their implementation does consume local resources and, therefore, affects the normal workload effort at the field level.

b. The Naval Supply Systems Command

The Naval Supply Systems Command (NAVSUP) is a sub-claimant to the major claimant, the Naval Material Command. For all practical purposes, NAVSUP is the organization responsible for the proper commitment, obligation and expenditure of all operating funds used by NSC Oakland. With respect to field activities, therefore, NAVSUP is involved with the effective utilization of resources within the policy and procedural guidelines outlined by NAVCOMPT. To do this, NAVSUP imposes a variety of constraints and/or controls upon the field level activity.

One of the most obvious controls that NAVSUP uses is that of 'fencing' funded amounts to control NSC Oakland's authority to obligate. Before discussing the concept of 'fencing', however, it is necessary to distinguish between types of spending controls. The two types of controls governing an activity's authority to obligate funds are 'legal' and 'administrative'. The legal

controls derive from Section 3679, Revised Statutes, and are usually referred to as 'Section 3679 limitations'. When the Operating Budget holder (i.e. the Commanding Officer) exceeds a Section 3679 limitation, he is said to be 'in violation'. When this occurs, a report of violation is required and the Operating Budget holder may be subject to legal sanctions (fine and/or imprisonment) and administrative sanctions (demotion, loss of job).

Administrative controls are any restrictions, other than Section 3679 limitations, imposed on an activity by higher authority in the chain of command. The use of administrative controls is called 'fencing'. Administrative controls are intended to direct the expenditure of resources upon certain projects or goals which are considered to be of greater benefit to the mission of the entire organization than the accomplishment of other legitimate goals or projects would be. Administrative controls do not have the force of law and are not normally monitored as closely as Section 3679 limitations. Violations of administrative controls may result in administrative sanctions.

NAVSUP has two sources of funds: Operations and Maintenance Navy (O and MN) and Foreign Military Sales (FMS). The total of each is subject to Section 3679 limitation (i.e., no more than the total granted for each type may be obligated for each type). Further, the O and MN is subdivided into three parts (Operations, ADP and Maintenance), each of which is separately controlled as follows:

ADP is subject to an administrative ceiling (i.e., the total may not be exceeded);

Maintenance is subject to a Section 3679 floor (i.e., not less than a certain amount may be obligated);

Operations is subject to an administrative ceiling (in effect, the restriction is not specifically defined as it is in the other two).

The above OMN and FMS funds are those which are authorized to the field activities via NAVCOMPT Form 2168-1. This form describes the legal controls: the total OMN, the total FMS, and the combined total (new obligation authority) are each subject to Section 3679 limitation.

NAVSUP imposes administrative controls by means of the Financial Operating Plan (FOP) correspondence. In the FOP letter, NAVSUP subdivides the total dollars into four categories as follows:

* Operations, which is an administrative ceiling;
* ADP, which is an administrative ceiling;
* Maintenance, which is both an administrative ceiling and an administrative floor. It is expressed as a plus or minus 5 percent of the amount shown. Note: the Section 3679 Maintenance floor imposed on NAVSUP is reflected in the administrative floor imposed upon the activity, but the legal limitation does not apply to the activity; it only applies to NAVSUP. The legal control is not imposed upon the activity because obligations for Maintenance usually exceed the minimum required. Maintenance obligations are closely monitored by NAVSUP and if they appear to be falling below the Section 3679 floor, it is then possible that a legal control might be imposed upon the activity.
* FMS, which is a Section 3679 limitation.

NSC Oakland has two sources of funds: NAVSUP and reimbursable funding. The NAVSUP funds are received on NC 2168-1 and are subject to the controls expressed in that

form and in the FOP correspondence. Reimbursables are usually received via NAVCOMPT Form 140. Generally, reimbursables are subject to a Section 3679 limitation (i.e., no more than the specified amount may be obligated and the unobligated funds must be returned to the grantor). At the present time, reimbursable funds are not fenced, however, NAVSUP requires notification of any increases in reimbursable labor. Typically, the center would use the extra dollars generated here to fund previously unfunded items or to buy deficient stock (not NSF items). Decreases in reimbursable effort from the amount that was planned are conveyed to NAVSUP requesting additional dollars. Experience at NSC Oakland indicates that these pleas generally go 'unheard' and that the needed funds must come from projects within the center.

To modify the various controls, NSC Oakland would simply have to notify NAVSUP for approval. This is generally done by phone and then followed up by message or letter. In all cases, the approved change must be confirmed in a letter from NAVSUP modifying the approved FOP.

In addition to controlling NSC Oakland's authority to obligate funds, NAVSUP also imposes various management controls to assure the most effective utilization of funds available. The most significant method that NAVSUP is currently using is the Management Improvement Program. This program includes efforts in management effectiveness, cost reduction and idea interchange. The intent of the program, as stated in NAVSUP INSTRUCTION 5200.24A is "to insure that the concept of 'management by objectives' is employed at all levels of government and that performance is evaluated in terms of those objectives. Managers at all levels are directed to establish mission-oriented improvement projects and to regularily measure achievement on these projects utilizing performance indicators and

goals. The increasing complexity and numbers of our primary mission programs, joined with the continual austerity in funding, strengthens the necessity for selective identification and incisive management of our higher priority problems, constraints and unfulfilled opportunities". As a result, each addressee in the instruction, including NSC Oakland, had to assess "existing practices, processes and procedures to eliminate unessentials and to devise alternatives which will allow mission accomplishment while releasing funds for local application to approved but underfunded projects". This has naturally placed a greater emphasis on performance indicators which, as a statistic, can be tracked to identify improvement or regression in overcoming problems. In a recent letter to the Commanding Officer, NSC Oakland, the Commander, Naval Supply Systems Command stated that NAVSUP's budget execution and ability to justify future resources would be strongly influenced by productivity. It would follow that this same thought would apply to the funding levels of field activities beneath NAVSUP. Although the focus of productivity is not uniquely related to the Comptroller Department, it has increased the importance of the statistics function and management tools like the AMB/UMR where productivity measurements are made. Departments throughout the center are now actively involved in assessing their own productivity and the center as a whole is monitoring its own production rates with those of other supply centers. The Comptroller Department now prepares monthly Financial Execution Reports for submission to NAVSUP showing the status of current operations to plan. In addition, it is expected that NAVSUP will use workload and production rate statistics as a basis for developing future staffing requirements in the FOP.

In addition to these controls, NAVSUP occasionally provides interpretive guidance to field

activities on matters set forth in the NAVCOMPT manuals. One recent example of this was a NAVSUP letter directing the reorganization of supply center comptroller organizations. It was felt that the existing organizations failed to place the Comptroller in a position where he alone was responsible to the Commanding Officer for all financial matters and funds as required by the NAVCOMPT Manual. Under the old organization, the Comptroller reported to the Director, Planning and Comptroller Department (P and CD). The P and CD (code 50) had a staff for Operations Analysis and five divisions as follows: Planning and Procedures (51), Comptroller (52), Facilities and Equipment (53), Quality Analysis and Internal Review (54) and Accounting (55). The Comptroller (52) had branches for Budget, Performance Evaluation and the Management Information Center but he did not have control over the accounting functions. The new organization divided the old P and CD into two departments; Planning and Management Services (code 40) and Comptroller (50). As previously illustrated in figure 3, the Comptroller now has a staff for Internal Review and divisions for both Budget and Accounting. The Management Information Center was transferred to the Planning and Management Sercices Department and the accounting for NSF transactions, which was previously done by the Inventory Control Department, was transferred to the Accounting Division. From a financial management point of view, this reorganization created a more direct line between the Commanding Officer and the Comptroller and decreased the span of control over financial functions from five divisions to two divisions, thus enabling closer control over those functions.

c. Defense Logistics Agency

Another organization which influences the

Comptrollership effort at NSC Oakland is the Defense Logistics Agency (DLA). Although DLA has no influence over the processes performed, support of the DLA mission does impact upon the volume of work accomplished. DLA operates a centralized inventory management system and the distribution of DLA managed items is accomplished by seven DLA managed depots and two Navy managed Specialized Support Depots (SSD). Naval Supply Center Oakland is designated as a SSD and, from a naval standpoint, the material positioned at Oakland is used to provide support to Seventh Fleet units and Naval Industrial activities in the Western Pacific and in the San Francisco Bay area. In addition, this material remains available to fill Defense Supply Center requirements for other services as well. At the present time, DLA material represents 53 percent of the center's stock and the DLA mission accounts for 54 percent of supply operations costs, or just under one-half of total center costs. Thus, the Defense Supply Centers, through their centralized inventory management, exercise a considerable influence on NSC Oakland workload and suppot effectiveness. The packaging, shipping and maintenance work performed cn DLA material is all done on a reimbursable basis (initially funded by NAVSUP) so this, in turn, impacts upon the costing and accounting functions performed in the Comptroller Department.

d. Customer Activities

As an AAA, NSC Oakland has a relationship with the 37 activities for whom various accounting services are performed. Ordinarily, this relationship has little effect upon the functions of payroll, accounting and reporting and the level of effort required to support these activities remains relatively constant. Occasions do arise when an activity requests additional services and, to the extent

possible, NSC Oakland attempts to accomodate these requests. Alsc, opportunities arise where changes to the existing services offer potential savings in resources and these must be resolved between the customer and the AAA. One such case occurred recently when NSC Oakland wanted to change the civilian payday from Friday to Monday. The existing system requires the AAA to process the time card information between Monday and Wednesday of a given pay week. This causes a 'bottleneck' in the work flow. By moving the payday tc Monday, an extra day (Monday to Thursday) or 33 percent more time would be available and the center estimated that this could save them approximately 4 or 5 permanent payroll clerk positions. Unfortunately, the majority of the personnel at the customer activities considered this change a major inconvenience so for morale reasons, it will not be implemented. Another effort, called 'checks to banks', is currently a little more successful. This program encourages employees to have their paychecks sent directly tc their respective banks. This allows NSC Oakland to produce one listing per bank showing the employees and the corresponding amounts paid and one check per bank for the total amount thereby eliminating the need to print one check per person.

e. Other Activities

A number of other organizations ultimately affect the Comptrollership effort at NSC Oakland. The Office of Civilian Personnel, for example, publishes the Federal Personnel Manual which, in turn, provides guidance for payroll entitlements for civilian employees. The Comptroller Department uses this information as the basis for the construction of civilian pay and retirement accounts.

Another activity, the Fleet Material Support Office (FMSO), is responsible for nearly all of NSC Oakland's computer programming support. Navy-wide programs such as the UMR are written at FMSO and then exported to the applicable field activities. Naturally, changes to and/or clarification of these programs must be resolved between the activity and FMSO.

The last organization to be discussed in this section is the Naval Audit Service. This organization operates under the Auditor General of the Navy and NAVCOMPT and regularily performs audits on supply center activities. Occasionally, these audits reveal interpretive differences in NAVCOMPT policy and these generally result in changes to the processes currently being performed.

3. Factors Within the NSC That Affect the Comptrollership Processes

a. Command

Certainly, one of the most influential factors is the Commanding Officer. He is responsible for leading the organization and for making many of the final financial decisions. The Comptroller Department supports him in this capacity by providing him with the information that will facilitate good decisions. Initially, however, when the formal concept of Comptrollership was introduced in the Federal Government, there was a reluctance on the part of many Commanding Officers to accept the responsibility for deciding matters relating to resource allocation. These decisions were left to the Comptroller who seldom had the same organizational visibility as the Commanding Officer and this, in effect distorted the true role of Comptrollership.

More recently, the implications of resource limitations on operations have necessitated a greater involvement in the resource allocation process on the part of Commanding Officers. Additionally, Section 3679 responsibility cannot be delegated below the Commanding Officer and this often acts as an incentive for involvement. Although it required diminishing resources to generate this involvement, the status of resources and hence, the involvement of Commanding Officers is not likely to change. At NSC Oakland, both the Commanding Officer and the Executive Officer are actively involved with personnel ceiling limitations, reduction of sick leave and overtime rates, productivity information and cost analysis. The Executive Officer is provided with monthly operating fund status reports from the Comptroller Department and monthly productivity reports from NAVSUP. Additionally, the UMR will have the capability to provide the Commanding Officer with a summary status of operating funds on on a weekly basis. Since July, 1975, the personnel ceiling alone at NSC Oakland has been reduced by over 200 positions. The requirement, therefore, for the Comptroller Department to provide the most timely and accurate information possible has never been more important.

b. Other Departments

Other departments within the NSC relate to the Comptroller Department in much the same way as customer activities related to the center as an AAA. There is a natural exchange as all financial data flows through the Comptroller Department and summarized data is returned but this evolution does not affect the processes in any way. There is seldom any need for additional services and the primary interaction outside the existing services is in the form of requests to alter the funding levels. Changes in the workload of a particular department may require more

overtime dollars and this would necessitate a review and a possible revision of planned allocations. There are a few departments, however, which impact upon the Comptrollership effort more so than others. One is the ADP Department. Most of the processes discussed earlier have been automated and although the ADP Department does not alter what is actually done, it does control the time frames within which the processes are performed. The Comptroller Department relies upon ADP services for the production of its output so there is a very natural involvement in the scheduling of production runs between the two departments. Often, personnel in the Comptroller Department must work overtime to complete the work and to coincide with the computer availability. To a lesser extent, the Procedures Division of the Planning and Management Services Department also influences the Comptrollership processes. The Procedures Division is responsible for the interpretation of the various NAVCOMPT/NAVSUP instructions and consequently, the outcome of their interpretation affects the way in which the processes are established.

c. Committees

Among the various committees within the NSC, few actually have a direct influence upon the Comptrollership effort. In fact, the reverse is more likely to be true as committees compete for resources to sustain their operations. They do, however, have an indirect effect of committing resources, particularily people, to meetings and projects that are not directly related to the mission of the center. Obviously, this effect is not unique to the Comptroller Department. The largest single group of committees in this category is the Affirmative Action Committees. Each department must provide representatives for:

* the NSC Equal Opportunity Committee;
* the NSC Equal Opportunity Counselors;
* departmental Equal Opportunity Advisory Committees;
* the Asian sub-committee;
* the black sub-committee;
* the Spanish-speaking sub-committee.

Representatives for the departmental committees are not necessarily the same for the center-wide committees. The committees meet during working hours and seldom meet together or at the same time. Although these individual groups are sanctioned by the command, their collective impact upon the production rate within each department is significant.

d. Summary

The Comptroller Department is not an autonomous organization. By the very nature of its work, it is naturally integrated with other organizations both inside and out of the NSC. It relies upon these organizations for guidance and input and its work is influenced accordingly. Understanding the nature of these influences, therefore, can be considered to be as important as understanding the Comptrollership work itself.

IV. OBSERVATIONS AND SUMMARY

A. GENERAL

This paper has explained the evolution of Comptrollership functions, discussed the processes involved with the present functions and shown how these processes are influenced by organizations outside the Comptroller Department at NSC Oakland. In this section, several observations will be discussed. These observations are not intended to represent either effective or ineffective performance. Rather, they are intended to simply point out certain aspects of Comptrollership, as seen and interpreted by the writer, which have been gleened from the work on this paper.

B. OBSERVATIONS

* Comptrollership is a staff function designed to support line management. The personnel involved with Comptrollership processes must perform their work in an objective fashion so as to preserve the impartiality of the data and they must leave the right to make operational decisions to line managers. The focus of Comptrollers should be to concentrate on improving management through line managers by providing them with better tools and not through attempts to supplant or bypass them.

* The use of budgeting parameters by NAVSUP in the early phases of the budget formulation cycle is considered

to be both necessary and realistic. Some people might argue that the budget should be constructed from 'the bottom up', however, resource constraints within the system cannot be ignored. In order to build their budgets intelligently, field activities appear to need monetary guidelines. Dollars are the common denominator throughout the entire financial cycle (planning, programming, budgeting, accounting, reporting and auditing) so it seems only reasonable that budgetary guidance should also be in terms of dollars.

* The control of resources involves extensive reliance upon historical data. Projections of what will happen, when made, are simply extensions of what has happened and consequently, they have their roots in the past. Although projections are essential for operational forecasts, they should not replace predictive efforts which are the essence of strategic planning.

* The accounting procedures are more complicated than they need to be. Extensive 'checks and balances' are employed in the control of funds in one area while many more dollars are being lost in another area. For example, each year the Civil Service Commission produces a summary report of civilian personnel retirement information that has been reported to them. This report is sent to the various AAA's for reconciliation with the actual retirement records located on board. Since there can be no variances, 10 days were spent in locating a discrepancy of 31 dollars. On the other hand, thousands of dollars in stock can be 'lost' to the system if it cannot be located but this is treated as a 'loss by inventory' and is seldom investigated as thoroughly. In other areas, such as the optar control procedures, the level of effort is increased and the timeliness of the reports is sacrificed because 'one cannot be too careful'. The procedures themselves could be simplified greatly and the timeliness, and hence, usefulness, of the reports improved by foregoing some of the

accuracy that is currently considered to be of overriding importance.

* There is a need for some degree of technical understanding at all levels throughout the Comptroller Department. No single individual functions simply as a manager of people; each is required to understand how financial data is processed and be able to communicate the meaning of that data to other managers.

* There is some duplication of effort between the Budget and Accounting Divisions. Navy Stock Fund transactions, for example, are tracked in the Budget Division to compare the current month's sales to spending, and in the Accounting Division, to be able to ascertain the current status of a particular fund. This duplication is compounded by the fact that the personnel in each division feel that their counterparts are somehow 'different' from themselves.

* The field level activity has little insulation from the special requirements of higher authority, regardless of apparently overriding operational requirements. The primary mission of the Comptroller Department appeared to be hindered by various requests for information from other organizations. NAVCOMPT and NAVSUP, for example, in conjunction with the IDA program, requested NSC Oakland to count the number of line items on all documents processed through the Contractor Payments Branch. This data would give them some idea of the relative workload to be expected and would enable them to determine the equipment requirements to handle that load. In another situation, the Office of Civilian Personnel would send out lists of personnel paid by NSC Oakland and request that annual leave and sick leave hours be filled in for each person for the entire year. The sample size was approximately 20 percent of the total payroll and was intended to show patterns in civilian leave. These examples are common but what is seldom appreciated is that in each case, the information

required must be collected manually and this takes people from their normal work.

* The Special Projects Branch would seem to be superfluous to the needs of the Comptroller Department. The data collection could conceivably be accomplished with existing resources and the actual cost analysis could be done by the Budget Officer or by the Operations Analysis personnel in the Planning and Management Services Department.

* The UMR, led by the prototype AMR, represents a significant improvement towards providing line managers with both a useful and timely tool. When the Weekly Funds Status Report becomes available, a large portion of clerical effort that is currently done to track 'in-transit' values will be eliminated and departmental officers will have more current information about their available resources.

* Programs like the cost reduction and the beneficial suggestion programs rarely save money; they merely make better use of the dollars available. No money is budgeted for these programs and the costs of implementing the new idea frequently exceeds the value of the benefits to be derived from that idea.

C. SUMMARY

The early functions of Comptrollership were essentially to insure the propriety of specific tasks performed by others. It was a decentralized system and control of the individual functional areas could afford to be narrow in scope. As the concept of Comptrollership evolved, these separate functional areas became more centralized. Today, Comptrollership functions are considered to encompass the entire spectrum of financial processes within an organization. Every piece of resource information is input

into a highly integrated system and the product of this system provides neatly summarized data that can facilitate decisions at the operational level.

This paper has addressed the Comptrollership processes at the field level in order to develop an understanding of how they work and how they relate to financial services as a whole. The processes have been changing continually tc meet the needs of line management and to date, these changes have been a healthy improvement. The services of Comptrollership, however, would be inadequate if they were limited to merely submitting summarized data to management. Some interpretation and translation is required to make the data comprehensible. In fulfilling this role, objectivity is essential. Equally important and often overlooked, however, is the requirement for the people who are familiar with the technical nature of this data to be able to communicate its meaning in a clear and concise fashion, free of technical jargon. To do this, an understanding of the processes that were involved in developing the data is considered necessary and without which, any interpretative service to management is likely to be very shallow.

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LIST OF FIGURES

1. NSC Organization..... 34

2. Comptroller Department Organization..... 36

3. UMR-A..... 53

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